FINANCIAL TIMES, March 22, 1977

FINANCIAL TIMES

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NEWS SUMMARY

GENERAL

...oviet ...ader ...its out ...t U.S.

...eonid Brezhnev, the Soviet ... leader, yesterday de... ...d a blistering attack on ...S. Administration for its ... handling of the human ... issue.

...ough he made it clear that ...viet Union did not intend ...hange its policy over ...gade" dissidents, Mr. ...nev, who was addressing ...de union congress, heavily ...ssed the need and scope ...tter relations with the U.S. ...e course of his speech, the ... leader put forward pro... ...on several issues, includ... ...sarmament and the Middle ... He said that he hoped a ...ALT agreement would be ...ed and he suggested a step... ...Israeli withdrawal from ...ry occupied in 1967. Back ...age 5

...h set bomb ...pect free

...rendan Swords, a 35-year... ...rishman, who was once ... by Scotland Yard as its ... wanted bombing suspect, ...ven a two-year suspended ...entence at Dublin's anti... ...st Special Criminal Court ...day after admitting giving ...e name to Dublin police. ...nied being a member of ...RA and was acquitted of ...charge. In central Belfast ...en and a woman, who were ... planted a bomb in a shirt ...y. It exploded within ...es of their departure.

...card defeat ...e to disunity'

...rs of the Centre-Right ...lon in France have blamed ...lty within the ranks of ...dent Giscard d'Estaing's ...ity for its severe defeat by ...ocialist-Communist Opposi... in the municipal elections. ...rial comment, Page 18.

...kin go-ahead ... charges

... subsidiary companies of ...t Holdings, the Mid-lands ... building and civil ...eering group, are to be ...ecuted under the Prevention ...orruption Acts. Mr. Sam ..., the Attorney-General, ...unced yesterday that he had ... his consent for proceedings ... ahead. He also said that ... in directors would face ...ges, but that "no other ...ons" would be involved.

...ronto hold-up

...an armed with a shot-gun ...d up to 18 hostages at the ...ue Canadienne Nationale in ...oto, Canada, yesterday. ...e cordoned off the area and ...ulances were called.

...ina drought

...rought in northern and cen... ...China is threatening spring ...ng and the growth of summer ...a, the Peking People's Daily ...rts. Millions of peasants, ...ernment officials and indus... ... workers have been ...oyed to counter it. Back ...e; Disruption in China, Page 6

...intoff visit

...Dom Mintoff, Prime Minister ...Malta, flew to London yester... ... for talks with Dr. David ...n, Foreign Secretary, and to ...mote increased British indus... ...l investment in the island, ...e 4

...iefly . . .

...e Ministers may meet in ...ussels on Friday to take a ...ision on the $2.5bn. Airborne ...rning and Control System. ...e 5

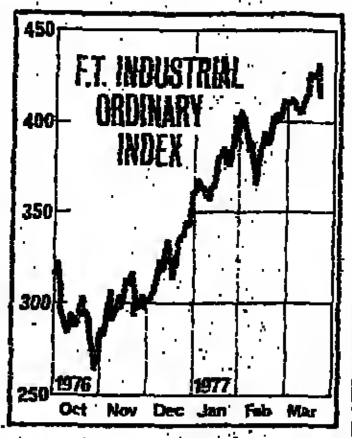
...my Young's BBC Radio 2 ...w is to be broadcast live from ...scow on May 16 and 17.

...tish Rail is spending £7m. over ...r years to remove potentially ...ngerous blue asbestos lining ...terial from locomotive cabs. ...ge 11

BUSINESS

Equities and gilts retreat; gold up

● EQUITIES retreated as political uncertainties and calls for a dock strike undermined market sentiment. The FT 30-Share Index closed at the day's worst of 414.4, down 14.1—the biggest fall in a single day for just over a month.



● GILTS also lost ground, with early pressure on sterling arousing fears that the downward trend in interest rates might be halted. The FT Government Securities Index fell 0.40 to 69.09.

● STERLING fluctuated, slipping to a low of \$1.7147½ before recovering to close at \$1.7177, a gain of 5 points on Friday's close. Its trade-weighted index fell to 61.8 (61.9); dollar's trade-weighted depreciation widened to 0.71 (0.50) per cent.

● GOLD rose \$2 to \$151.875, the highest closing level since early March, 1975.

● WALL STREET was down 7.40 at 955.62 near the close.

● SQUEEZE on incomes ... intensified in recent months. Average earnings have been rising faster than intended, but the retail price index has risen still more sharply. Back Page

Leyland men back at work

X LEYLAND workers laid off during the toolmakers' strike returned to work, as the management began talks with strike leaders and AUEW officials. Page 18.

● MILITANT DOCKERS from the threatened Preston docks occupied part of the Transport and General Workers' Union headquarters in protest at its failure to declare an official national dock strike. Page 16

● ENERGY DEPARTMENT'S petroleum engineering division, formed to oversee North Sea oil and gas development, is being hampered by a staff shortage. Page 11

● NATIONAL ENTERPRISE BOARD is investing £240,000 in a 90 per cent. stake in the private clock-making concern, Thwaites and Reed, whose work includes maintenance of Big Ben. Back Page. Men and Matters, Page 18

● SCOTCH WHISKY production fell last year for the third year running. It was down by more than 8 per cent. Page 11. Brewers' soft drink subsidiaries are intensifying their battle for the big market for mixer drinks. Page 11

● STOCKBROKERS S. M. Penney and MacGeorge of Glasgow and Castello Parsons of London will merge on April 25.

COMPANIES

● ROLLS-ROYCE MOTORS Holdings made higher pre-tax profit of £9.13m. (£5.79m.) last year, largely because of increased overseas earnings. Page 28 and Lex

● FRENCH Government has arranged for Renault and Peugeot to take small stakes in Poclain, the hydraulic excavator maker, to help balance the large stake to be taken by J. I. Case of the U.S. Page 32

Callaghan likely to follow up Liberal talks

BY RICHARD EVANS, LOBBY CORRESPONDENT

Mr. David Steel, the Liberal leader, met the Prime Minister for more than an hour last night in crucial talks that could determine whether the Labour administration survives the Conservative motion of no confidence to-morrow night.

The earliest indications were that Mr. Callaghan had not been able to offer enough to make the Liberals change their minds about voting for the censure motion, but the talks were sufficiently fruitful to make further discussions probable.

Mr. Steel was meeting some of his fellow MPs last night, together with Mr. Geoff Tordoff, the party chairman, and Mr. Hugh Jones, the secretary-general, in order to discuss party tactics.

The first sign of a crack in the resolve of the minority groups to see the Government defeated came yesterday from Mr. Jim Sillars and Mr. John Robertson of the breakaway Scottish Labour Party.

In a letter to Mr. Foot, Leader of the House, setting out their terms for supporting the Government the two MPs clearly indicated their unhappiness at forcing a General Election. Although the conditions they lay down for the reintroduction of the guillotine on the Scotland and Wales Bill by Easter seems impossible for the Government to fulfil, the tone of their letter shows that an accommodation on devolution might be possible to secure the two important votes.

But to survive Mr. Callaghan must get the backing of either the Liberals or the United Ulster Unionists or persuade them to abstain, and his best bet remains Mr. David Steel and his 12 Liberal colleagues.

To the concern of Ministers Mr. Steel aggressively restated his position before he met the Prime Minister at the Commons in the evening.

The Liberal leader insisted that he wanted an open and publicly declared agreement, but

Parliament Page 12. Editorial Comment Page 18. Society To-day Page 27

he did not rate the prospects very highly "because of the nature of the Labour Party."

The actual conditions being demanded by the Liberals—direct elections to the European Parliament based on proportional representation, legislation on industrial democracy but not the Bullock recommendations, and reform of the tax system—would not necessarily be unacceptable to the Premier. But Mr. Callaghan would not be able to enter into any sort of formalised agreement because of pressure from his own party.

Another factor that Mr. Steel must take into account is the differing views among his Parliamentary colleagues. Most now appear to favour support for the motion of no confidence unless Mr. Callaghan offers a copper-bottomed agreement to confer with them on all Government legislation.

What Mr. Steel must avoid at all costs is a split that would result in some Liberal MPs backing Mrs. Thatcher and others—possibly Mr. Cyril Smith and Mr. Russell Johnston — supporting Mr. Callaghan. This would be suicide for the party.

At the other key meeting of the day Mr. Callaghan and Mr. Foot had discussions with Mr. James Molyneaux, leader of the UUUs and Mr. Enoch Powell, MP for South Down.

Neither would comment until they discussed the situation with their six colleagues to-day but there was no sign of any change in the determination of the majority of the UUU MPs to oppose the Government.

Mr. Molyneaux is thought to be less committed to opposing the Government than many of his hard-line colleagues, but would probably go along with a majority decision to support the censure motion. Mr. Powell, whose previous position has favoured keeping the Labour Administration in power, remains an unknown factor.

One crumb of comfort for the Government was the news that Mr. Frank Maguire, the independent Irish MP, having threatened

Continued on Back Page

Budget will go ahead

By Peter Riddell, Economics Correspondent

A BUDGET statement of some kind will be made next week whatever the outcome of to-morrow night's confidence vote in the Commons.

If the Government loses the vote the Budget speech will probably be followed by a short Finance Bill which would be rushed through in a few days before the dissolution of Parliament in order to allow continued collection of taxes by the Inland Revenue.

If the Government wins, then the normal Budget speech will go ahead a week to-day. The main outlines of this have now been completed and it is generally expected that Mr. Denis Healey, Chancellor of the Exchequer, will announce large cuts in income tax, particularly at the upper and lower ends of the scale.

Cuts in income tax might total £1.5bn. or so, offset in part by rises in indirect taxes to ensure that the borrowing requirement remains within the £8.7bn. ceiling for 1977-78.

Consequently, the dilemma for the Government if to-morrow night's Commons vote is lost is whether merely to introduce a Bill continuing the collection of taxes at current rates or to include some of the major proposals from what would have been a politically attractive Budget.

It would clearly be impossible to introduce lengthy or complicated changes, but a straightforward increase in income tax allowances or a change in rates could be put into a short Finance Bill, with the promise of further proposals later.

Precedent

There is a precedent in the pre-election Budget introduced by Mr. R. A. (now Lord) Butler in April 1955, which cut income tax. His speech on the Tuesday was followed by a Finance Bill which became law by the Friday afternoon. The difference is that the election was being held at the choice of the Government, which had a majority in Parliament.

The deadline faced by any Government is May 5, since a Ways and Means resolution has to be approved by Parliament by then or else the Inland Revenue is not allowed to continue to collect taxes.

Normally this resolution is ratified by a Finance Bill within three months. But this lapses with a dissolution, so a short Finance Bill of some kind has to be approved within the same Parliament before an election.

Indirect taxes collected by Customs and Excise do not face the same deadline, and continue anyway.

Janata Front near absolute lead in India

BY DAVID HOUSEGO, ASIA CORRESPONDENT

NEW DELHI, March 21.

MRS. INDIRA GANDHI was expected to resign shortly, after the crushing defeat inflicted on her Congress Party in India's General Election.

The defeat, compounded by the loss of her own constituency, ends the dominance of Congress, which has ruled India since independence in 1947.

To-night Mrs. Gandhi, who assumed power on the death of Mr. Lal Bahadur Shastri in January 1966, was said by her supporters to be calm and composed despite the humiliation of having a request for a recount in her own constituency of Rae Barelli rejected by the district magistrate.

A spokesman said she was drafting her resignation statement at her home in the capital, and receiving occasional visits from senior members of her party.

Though counting was still incomplete, the Opposition Janata Front looked like obtaining an absolute majority with about 280 seats in the 542-Member Parliament.

Premier query

However, it remains in a weak position to form a credible Government without the support of Mr. Jagjivan Ram, the former Agriculture Minister, and his Congress for Democracy.

Mr. Ram, 69, was the first major Congress figure to defect before the election. As leader of India's 80m. "Untouchables," he played a crucial role in Mrs. Gandhi's defeat.

Mr. Ram emerged in the campaign as the most popular of the Opposition leaders and almost certainly was largely responsible for the landslide against Mrs. Gandhi's Congress Party. He seemed to-day to be staking out a claim to be the next Premier as against the other contender, Mr. Morarji Desai, who presides over the Janata Front.

In a bid to solve the tussel over the leadership and portfolios quietly behind the scenes, the national committee of the Janata Front to-day decided to postpone the formal election of its leader by 24 hours, to Thursday.

Mr. Ram has continued to stick to his position that, though the two parties were in alliance during the campaign, no merger had yet been agreed. Signalling his own bid for leadership Mr. Ram said that efforts were being made to "arrive at a concensus and avoid conflict (over the leadership) but there is nothing undemocratic in a contest if it comes to that."

He had hoped to be the undisputed power broker in the post-electoral struggle. Ironically the success of his campaigning for the Janata may have given Mr. Desai, 81, at least temporarily the edge. Mr. Desai, another Congress dissident, was once Deputy Prime Minister under Mrs. Gandhi.

Mr. Ram's remarks to-day suggested that he has no wish for vindictiveness against Mrs. Gandhi. "We should not do anything to hurt her feelings," he said.

He seemed to draw back from suggestions of setting up a commission of inquiry to look into Ministers and officials responsible for excesses during the emergency. The Opposition had promised such a commission during the campaign.

The same exception would not seem to apply to Mrs. Gandhi's son Sanjay. Among many of the Opposition and the legal profession there is a strong feeling that charges should be levelled against him for alleged offences in his business dealings. Sanjay's whereabouts were not known to-day.

The first signs that to all intents and purposes India was no longer under Mrs. Gandhi's administration came early this morning when Mr. B. D. Jatti, the acting President, announced that the emergency declared by Mrs. Gandhi in June 1975 had been lifted.

The practical effect was to make possible the release of some thousands of political prisoners detained under the Maintenance of Internal Security Act.

The decision was taken at a Cabinet meeting

The Congress party seemed likely to win a meagre 170 seats as against the 350 it gained in the 1971 election on the crest of the so-called "Indira" wave that followed Mrs. Gandhi leading the country to victory in the 1971 Indo-Pakistan War.

The party, demoralised by the tide of electoral defeats across the whole of northern India, was due to meet to-morrow to elect a new Leader. The most likely candidate is Mr. Y. B. Chavan, the Foreign Minister, though Congress suffered far severer setbacks in his home State of Maharashtra than anybody expected.

Evidence of the split in the Opposition over the leadership came in conflicting statements from the Janata Front and the Congress for Democracy.

After Mr. . N. Bahuguna, Mr. Ram's deputy in the Congress for Democracy, attended a meeting of the Janata national committee to-day, a Janata spokesman announced that the Congress for Democracy had agreed that members elected under their joint banner would act as a single bloc.

After the Indian election, Page 18

TUC sceptical of incomes policy deal under Tories

BY CHRISTIAN TYLER, LABOUR CORRESPONDENT

UNION LEADERS made no move yesterday to influence the Prime Minister's tactical discussions with the Liberals and other minority parties.

They confined themselves to broad statements of support for the TUC-Government relationship, leaving it to Mr. Callaghan to confront what they see as an ill-timed challenge from the Conservatives.

But with the prospect of a snap election and a Conservative victory, a number of union leaders said the chances of co-operation with a Tory Government on any kind of incomes policy looked slim unless there was a radical change of Conservative thinking on public expenditure and employment.

The Conservatives however have clearly stated that although they will consult the TUC, they will not negotiate any economic bargain with the unions.

Members of the TUC finance and general purposes committee yesterday endorsed the morning's statement from the TUC-Labour Party liaison committee that the close relationship "will remain of critical importance."

Mr. Len Murray, TUC general secretary, added to this muted joint statement from TUC leaders, Ministers and MPs by saying that the TUC wanted the Government to stay in office "to do the job it has begun."

Low morale

Last night Mr. Jack Jones, general secretary of the Transport and General Workers Union, said the unions would work less easily with a Conservative government. It was quite clear the Conservatives did not believe in price control and would allow a free-for-all in industry, with no help for ailing companies which was certain to create "massive unemployment."

"Conservatives would have to change their attitude if they wanted co-operation from the trade union movement," he said.

A similar warning was given at yesterday's liaison committee meeting when Mr. David Basnett, of the General and Municipal Workers Union, said that unions might face chaos in the factories if the Tories won an election.

The TUC will have an opportunity to discuss the implications of the Tory challenge at to-morrow's meeting of the general council.

Meanwhile, the Conservatives appear already to be preparing the ground to deal with electoral fears that the unions will revolt. At a NALGO regional conference over the week-end, Mr. John Nott, deputy Opposition spokesman on trade, gave the impression that not a great deal more cutting of public expenditure was needed on top of what Labour had already proposed to achieve the saving the Conservatives are looking for.

The Conservatives may be helped electorally by low morale among rank-and-file trade unionists after two years of rigid incomes policy and a

Continued on Back Page

Aid, shake-up for Bond Worth

BY MARGARET REID

EQUITY CAPITAL for Industry, the new equity bank, is putting up half of £3½m. new funds being provided to back Bond Worth Holdings, the loss-making carpet group whose chairman and five other directors are leaving in a major shake-up.

Of £3m. of convertible preference shares being placed for Bond Worth at par, Equity Capital has agreed to subscribe for £1.75m., while other institutional investors will take up £1¼m.

In addition, the bankers to Bond Worth — for which a £1.4m. loss is forecast in the year to July 2, 1977, compared with a £689,000 profit in 1975-76 — are providing a further overdraft facility of £500,000. The National Westminster Bank will also reschedule £5m. of the company's existing overdraft into a medium-term loan.

Last night's announcement of the major new package to aid the group also disclosed that borrowing limits under the 7¼ per cent. debenture stock's trust deed had been exceeded. The debenture holders are being asked to approve amended limits and also offered a shortened term (to 1987, instead of 1986-91) and a ½ per cent. increase in their interest rate to 7¾ per cent.

The carpet group's chairman, Dr. John Murray, and five of his fellow-directors are to retire at the coming annual meeting on April 19. Mr. Kenneth Mills, former chairman of Allied English Potteries and Newall Machine Tool, is to become non-executive chairman.

Mr. Patrick Griffith, previously financial controller of Vickers, is to be finance director; Mr. Jim Paton was recently appointed group managing director.

Mr. Alfred Singer, a director of Equity Capital and until recently head of the Post Office GIRO, and Mr. Peter Grant, a director of Lazard Brothers, are being asked to join the Board as non-executive directors.

The investment in Bond Worth is the first by Equity Capital, which was set up with a £41m. capital last year by the institutions to help companies unable to raise share capital on the market. The comprehensive package appears to demonstrate that the equity bank, whose high-level Board is headed by Lord Plowden, is determined that when it puts in cash it will combine the move with necessary associated measures designed to put the concern being helped on to a recovery path. Shareholders generally will be able to subscribe for 750,000 of the new convertible preference if they wish.

Courtaulds, the big textile and fibre group which is cutting back certain of its U.K. activities in the current recession, which holds 24 per cent. of Bond Worth's shares, is not taking up any of the convertible preference shares. On the contrary, it is making available 1.5m. of its existing Bond Worth shares, which holders of the new preference will be able to buy—at 10p, against the present price of 20p—up to June 1980, in the ratio of one Ordinary share for each two preference. Disposal of these shares will reduce Courtaulds' stake to 12½ per cent. or, assuming conversion of the preference, to 6-7 per cent.

Lex Back Page

...IEF PRICE CHANGES YESTERDAY

...rices in pence unless otherwise indicated)

RISES:

...venham	132	+ 12
...veringham Group	48	+ 6
...mesons Chocolates	41	+ 8
...ellabear Price	43	+ 6
...ACE	15½	+ 5½
...urnbull Scott A	295	+ 45
...e Beers Dfd.	269	+ 7
...ount Lyell	45	+ 10
...cific Copper	38	+ 8

FALLS:

...reas. 12% 1983	£104⅜	— 1¼
...reas. 12¾% 1992	£101⅛	— 1
...ssoc. Newspapers	176	— 12
...ssoc. P. Cement	187	— 5
...eecham	435	— 9
...dwater	190	— 10
...ourtaulds	117	— 5
...unlop	97	— 6
...EC	179	— 7
Glaxo	482	— 11
GUS A	214	— 9
Hawker Siddeley	512	— 15
Hawthorn Leslie	48	— 12
Heath (C. E.)	538	— 22
ICI	353	— 5
Land Secs.	164	— 5
Lucas Inds.	242	— 7
Midland Bank	280	— 10
Robb Caledon	71	— 9
Sun Alliance	448	— 20
Swan Hunter	82	— 8
Thomson Org.	453	— 12
Trust Houses Forte	142	— 7
Tube Invs.	384	— 12
Attock Oil	85	— 13
BP	836	— 32
Ultramar	146	— 10
McLeod Russell	200	— 15
Warren Plants.	148	— 10
Charter Cons.	140	— 9
Cons. Gold Fields	180	— 7

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LOMBARD

Why the TUC wants power

BY GEOFFREY OWEN

IT HAS BECOME a commonplace to say that the power of the trade unions has increased, is increasing and ought to be diminished. But from the trade unions' point of view there are some important gaps where their power is weak or non-existent. They would argue that it is in the interests of society as a whole, not just of trade union members, for those gaps to be filled.

An interesting exposition of this view was put by John Hughes, vice-principal of Ruskin College, in a recent Stockton lecture at the London Business School. First, he noted the vitality of the trade union movement. Unions had increased their membership during a period of high unemployment and poor economic performance. They had successfuly demolished attempts to impose legislative sanctions against them: this had led to a series of tripartite commissions (ACAS, MSC, Health and Safety Commission), giving trade unions an influential position in areas which had hitherto been the preserve of Government.

More rational

Most important in Hughes' view, has been the trade unions' involvement in macro-economic policy and, from 1972, the acceptance by Government of the TUC's role in this new style of macro-bargaining. "The assumption of increased economic and social responsibility, and increased rationality by the TUC, through this approach is startling: increased rationality because sectional bargaining never took seriously the total consequences of its pay push, whereas now "total arithmetic" is involved... To ask what are the conditions for raising *real* pay is to ask dramatically different questions, and to raise major new questions as to the extension of trade union functions, as compared with the old money wage militancy."

"The trade unions," Hughes argues, "already occupy much of the low ground of industrial organisation, in the sense of effective shop-floor organisation. They occupy a good deal of the high ground, in the sense of an ability to deliver macro-economic and wider social and political bargaining in the nation's political economy. The middle ground of corporate strategy, of new products and processes, of location of new jobs and displacement of others, may be where the determination of real wealth, and of employment and income security, offers the best prospects for positive use of the organised power of social labour."

In part this middle ground can be occupied by the extension of collective bargaining into strategic decision-making, but the really big development will come, Hughes thinks, when trade unions grasp the opportunities afforded by joint management and control of pension funds.

The pension funds have a key role in the capital market and are the dominant ownership force in the private sector, but they have been almost wholly passive in the exercise of their power. Once trade unions identify with the management of these funds and realise that the security of their members' pensions depends on the policies pursued by the owners of equity capital, they will start pushing the funds to perform their ownership responsibilities in an active and enlightened fashion.

"At this point," says Hughes, "we may have transformed out of all recognition that historic confrontation between the owners of capital on the one hand and a propertyless but increasingly organised proletarial on the other . . . We may be edging towards a situation in which so-called Marxist revolutionaries are engaged in a somewhat futile conservative restoration of the stereotypes of a class-divided capitalism, while the respectable managers of our institutional funds are really the gravediggers of that class-divided capitalism and the main agents of a radical transformation of industrial power."

Whether this vision makes the pulse race with excitement or the blood boil with rage depends on one's point of view, but it can hardly be ignored. The most obvious doubts concern the nature of trade union power and the way it is likely to be used. Hughes' reference to effective shop-floor organisation ignores the inter-union squabbling and intra-union indiscipline which bedevil much of our industrial relations. More important, trade unions are basically conservative, defensive and protective organisations. It takes a very great leap of the imagination to suppose that an industrial economy partly or wholly controlled by them will provide a favourable environment for those risk-taking, entrepreneurial activities — the constant striving for higher productivity, the aggressive search for new products, the challenging of established market positions—on which the creation of wealth ultimately depends.

RACING BY DOMINIC WIGAN

Herminius can do it again

HERMINIUS, who gained an overdue and well deserved success when beating Cornish Princess in the final strides of the King John Chase at Worcester recently, looks capable of following up in this afternoon's 3½-mile Trent Chase at Nottingham.

Here Mrs. Whitfield's tough stayer, whose best performance before that Worcester victory came when he defeated Clonmellon by two lengths in last year's running of the Trent Chase, seems likely to find another course and distance winner. Gin Fizz, his most formidable opponent.

This ten-year-old showed there was no fluke about his 15-length Southwell victory over Silberto by comfortably dealing with My Friendly Cousin and several other useful performers at Catterick three weeks ago.

There will be those ready to see him complete the hat-trick, but I have a feeling that the younger and progressive Herminius will prove too much for him.

NOTTINGHAM
3.00—Herminius***
3.30—Remigio
4.00—Woodvale
4.30—Atenea**

PLUMPTON
2.15—Ramuk's Queen*
2.45—Bredgar
3.15—Serpent Prince
3.45—Albury Lad
4.15—Mac Vidi
4.45—Royal Epic

Later in the afternoon I shall be more than surprised if Atenea does not bring the luckless Fred Winter a change of fortune in Division III of the Charnwood Novices' Hurdle. On her only previous appearance over the minor obstacles Atenea ran with great credit to be fifth of 20 behind Quiet at Newbury, after making a bad mistake at the penultimate flight.

At to-day's other meeting, Plumpton, backers should be able to start the afternoon well with Ramuk's Queen, who appears to be a cut above her rivals in the Uckfield Selling Hurdle.

A 1½-length winner from Great Things—to whom she was giving 15 lbs—at the last meeting here Ramuk's Queen found only the useful Ragamuffin, in receipt of 7 lbs, too good last time out—in a 25-runner event at Haydock.

A reproduction of her Haydock form ought to see the Bill Marshall-trained Ramuk's Queen comfortably disposing of her four opponents, best of whom is probably Karamist.

Josh Gifford, whose local Findon stable has been having a lean time of late, is strongly represented this afternoon, and he will be hoping that his improving six-year-old Serpent Prince can defy top weight in the day's feature event, the Aquascutum Hurdle.

A winner at Huntingdon and Lingfield on his two most recent appearances, Serpent Prince should be able to concede 12 lbs to Glanfield.

SALEROOM BY ANTONY THORNCROFT

Porcelain fetches £34,781

MONDAY is rarely the most exciting day in the London salerooms, and yesterday was no exception. Christie's sold English porcelain for £34,781. Best price was £3,600 for a Chamberlain's Worcester dinner service, bought by Graham & Oxley.

A more interesting item was an apparently unrecorded pair of Bow figures of a lion and lioness, three inches long. They were bought, at the top of their forecast, by the London dealer Winifred Williams for £1,500. She also bought a Chelsea pear-shaped cream jug for £1,400, and a rare Bow inscribed fluted dish of Hans Sloane type for £1,200.

As usual, Sotheby's auction of books relating to natural history and science did well, with a first day total of £68,981 and only 3.5 per cent. bought in.

Highest price, comfortably above forecast, was £6,800 from the London dealer Quaritch for the four volumes of Andrews' *Coloured Engravings of Heaths* —published by the author between 1802-9.

Other lots comfortably to beat their estimate were the £3,800 from Foyles for Dresser's eight volumes of *A History of the Birds of Europe*, with over 700 coloured plates.

Pickering and Chatto paid £3,200 for Catesby's *Natural History of Carolina*, published in 17771, and Traylen, of Guildford, £2,200 for Captain Shelley's *Monograph of the Nectariniidae*. The same sum acquired a first edition of Albin's *Natural History of Birds*, and De Candolle's *Histoire des Plantes Grasses*.

A Worcester (Flight, Barr & Barr) breakfast service was bought by J. Sewell for £1,100, and Dunning paid £1,000 for a pair of Chelsea cinquefoil scolopendrium dishes. A 10 per cent. buyer's premium must be added to all prices.

A watercolour by Louise Rayner, showing Edinburgh's Grassmarket in the 19th century, sold for £4,000 at Phillip's yesterday, twice its estimate. It was the best price in an auction, which brought in £28,380.

Other views by the same artist, of Canterbury and York, sold for £320 and £520 respectively.

Colnaghi bought a watercolour of sheep penning by Millais for £1,600.

Oil paintings contributed £16,081, and furniture £28,580, with Medcalf giving £500 for a mahogany twin pedestal dining table. At Jolly's in Bath, a sale of pictures realised £10,100, with a pair of paintings of Venice by Edward Cooke making £1,750.

At Christie's in South Kensington, silver totalled £24,783, with a canteen of George III tableware going for £2,000, and ikons, still a new sector for the saleroom, bringing in £11,150 for the 121 lots.

Lawrence of Crewkerne held one of its picture sales last Thursday, bringing in £156,000. Top prices were the £10,500 for *Bilking the Toll*, by the Canadian artist Cornelius Krieghoff; £11,500 for *An Alpine Landscape* by Johan Steffan, and £8,000 for another Krieghoff, *An Indian Scout*.

County's crime up 6%

THE NUMBER of crimes recorded by police in Surrey last year rose by 6.45 per cent. to 23,519. Most were committed by London criminals.

Mr. Peter Matthews, Surrey Chief Constable, said in his annual report yesterday that the county was particularly vulnerable to housebreaking expeditions by professional criminals living in London.

They planned their crimes in the capital and returned there to dispose of the loot before the crime was discovered.

"The problem is aggravated by the fact that the majority of these crimes are committed, not by deprived or inadequate persons but by resourceful professional thieves who are fully committed to a life of crime, and only the certainty of detection and punishment will deter them."

WINE

The progress of the European market

BY EDMUND PENNING-ROWSELL

A REPORT ON the wine market in 25 European countries, west and east, has just been published by Frost and Sullivan, an American market research organisation*. It is no less than 452 pages in length, and full of tables, charts and analysis from which the reader is likely to emerge punch-drunk with wine facts and figures.

Nevertheless for those who can stay the course, or perhaps imbibe in relatively small draughts, it is fascinating to have assembled not in one volume but in two, a statistical record of each country as producer—yes, they nearly all produce, even Finland which has a fruit-wine industry—importer, exporter and consumer. Lack of complete familiarity with the industry has led to a few minor but not important mistakes, and it is admitted that some statistics vary according to source. Those of the Food and Agriculture Organisation in Rome differ from the Office du Vin's in Paris, but they normally show an identical trend.

Improved yields

Of major interest is the record of growth or decline in production, consumption, imports and exports. As for production, the general picture is of growth from improved yields rather than by increased vineyard land, which has remained fairly stable throughout the world in the last 15 years at around 10m. hectares.

The great exception to this is the USSR, which has been pursuing a vigorous plan of wine production, in part at least to offset excessive vodka drinking. Their aim of a 1.8m. ha. vineyard area would make it the world's largest wine producer. With the acreage already doubled between 1958 and 1974, it now ranks only after Spain, France and Italy. The last two, the world's leading wine producers, have actually decreased their vineyard acreage in the last decade, though Italian figures are difficult to analyse, since hitherto many of their vineyards have formed part of mixed cultivation rather than separate vineyards. It is much the same in Spain and Portugal. There has been additional planting in the Jerez district recently, but the total area under vines is similar to that in the mid-sixties; and the Portuguese acreage has remained fairly constant too.

However the growth record in the Soviet Union has not been paralleled to anything like the same extent in the other Comecon countries, who find most of their markets in the Soviet Union and with each other. The biggest is Romania, whose 350,000 ha. have not materially increased recently, while Hungary's 205,000 ha. show a decline since the sixties, and Bulgaria's are no more than stable.

In spite of the growth in European wine consumption over the last decade, the reason for the standstill in vineyard area in Western Europe is an increase in consumption for quality wines, but a drop in demand for ordinary wines. It is in the areas producing such wines, notably the Midi and southern Italy, that the wine lakes have formed. While quality areas such as Champagne, Cognac and Chianti have seen increased planting, the marginal areas have been going out of production, including even basic AC vineyards in such quality areas as the Gironde.

Nevertheless production has been rising sharply in most parts of the world. European output in 1974 totalled 268m. hl., compared with 192.6m. hl. in 1963. True, 1963 was a deficient year in France, Italy and Spain, but then 1974 was not such a prolific year as the record 1973. Anyhow, Europe is responsible for 79 per cent. of world wine production and 82 per cent. of consumption.

For those in the business, consumption trends are vital factors, and these have not been upwards everywhere in the last 15 years. In France it dropped from 138 litres per capita in 1955 to 103 litres in 1974, and is expected to fall even further. In Portugal too, once the second largest per capita consumer, the total was decreased in the same period from 125 to 80 litres; and such falls are not offset by the Italian rise from 103.5 to 110.5 litres, or to our own modest increase from 1.1 to 5.3 litres. (Though the report admits that the British claim 9 litres by 1976; but does this include so-called "British wine"?)

Bulk buying

Naturally, per capita figures do not tell the whole story, and the decisive statistic is the number of millions of hectolitres of wine that go down the throats of each country's drinkers. The most encouraging rises come from West Germany (from 7.4m. hl. in 1963 to 14.3m. hl. in 1975) and the Soviet Union (from 11.8m. hl. in 1963 to 32.5m. hl. in 1974 —already more than half the Italian consumption total). Although most of the growth in the latter has come from domestic and Comecon production, substantial purchases have been made from Algeria, and considerable ones from Spain. They have been very much bulk wines, suited for blending, but it is these wines most in surplus in Western Europe, and such business with southern Italy might well be envisaged.

Trends in wine consumption are not merely a matter of people acquiring the habit, but also a matter of competition from other drinks, often at lower prices. For example, in Portugal the decline within 20 years of per capita consumption from 125 to 80 litres has been accompanied by per capita beer consumption shooting up 27 litres, while in Sp[ain] from 54 to 75 litres of [...] head faces an increase [...] drinking for 5.8 to 42 [...] challenge of beer [...] throughout the rep[ort ...] sumption figures; and breweries are able [...] huge sums to promot[e ...] wine producers and [...] are not.

Moreover in count[ries ...] France with falling [...] ing, it is not that [...] drinking less. Instead [...] drinking more beer, [...] and often carbonated [...] wines," that appeal [...] young. The report attributes the decline [...] to the fewer workmen in arduous manual [...] used to be fortified by injections of red ordin[ary ...] is possible on the Cont[inent ...] here that wine will see [...] benefit from the e[...] taxes on spirits.

Excise duti[es]

Indeed, Frost & Sulli[van ...] that wine consumption [...] severely held back, esp[...] the non-producing coun[tries ...] high customs and excis[e ...] increased by VAT. In F[...] VAT rate on wine is [...] cent., which explains wh[y ...] priced wines like ch[...] look so expensive on th[e ...] ground. Unfortunately [...] wine remain both profit[...] easy to collect, but if t[he ...] wine lakes — surely as [...] creations as beef an[d ...] mountains—are to be [...] taxes must come down, e[...] on the lower quality [...] Over £20m. hl. had [...] distilled in 1974-75 [...] report predicts a 6m. hl [...] in European wine [...] countries by 1980. It al[so ...] that taking into acc[ount ...] growth in population, [...] wine consumption wi[...] EEC is slightly on the [...] spite of greatly increas[...] Community trade.

This bulky report also [...] detailed statistical da[ta ...] imports, exports and ta[...] well as much informatio[n ...] whole European wine [...] not commonly found [...] In many fields forecast[s ...] position in 1980 and 1[...] given. For the U.K. [...] than a 2-litre increase [...] sumption per head is exp[ected ...] the latter year, and t[...] country in Western [...] likely to drink much m[...] then is West Germany, [...] the East and Soviet Un[ion ...] the former the total is e[...] at 19m. hl. and in the [...] 43m. hl. Such a fore[...] Soviet intentions is [...] statistic that both th[e ...] teetotal Right and Le[ft ...] accept and applaud.

*The Wine Market in [...] Two volumes, 452pp [...] and Sullivan, 110-111, [...] London, W.C.2. £420.

TV/Radio

BBC 1

†Indicates programme in black and white

6.40-7.55 a.m. Open University (UHF only). 9.38 For Schools, Colleges. 12.45 p.m. News. 1.00 Pebble Mill. 1.45 Bod. 2.14 For Schools, Colleges. 3.20 Pobol y Cwm. 3.53 Regional News (except London). 3.55 Play School. 4.20 Dastardly and Muttley (cartoon). 4.25 Jackanory. 4.40 Renlaghost. 5.05 John Craven's Newsround. 5.15 Take Hart. 5.35 Paddington.

5.40 News London and South East only.
5.55 Nationwide.
6.20 Nationwide, including interview with the Prime Minister.
6.50 Dad's Army.
7.20 The Waltons.
8.10 Warship.
9.00 News.
9.25 Play For Today.
10.35 Film 77.
11.05 Tonight.
11.45 Weather/Regional News.

All Regions as BBC-1 except at the following times:

BBC Wales—5.55-6.20 p.m. Wales Today. 6.50 Heddiw. 7.15 Glas y Dorlan. 7.45-8.10 Tomorrow's World. 10.35-11.05 The King of Darts: Alan Evans. 11.45 p.m. News and Weather for Wales.

Scotland—5.55-6.20 p.m. Reporting Scotland. 6.50-7.20 Porridge. 11.45 News and Weather for Scotland.

Northern Ireland—3.53-3.55 p.m. Northern Ireland News. 5.55-6.20 Scene Around Six. 6.50-7.20 Look Where We Live. 11.45 News and Weather for Northern Ireland.

England—5.55-6.20 p.m. Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth). 6.50-7.20 East (Norwich) Sporting Types; Midlands (Birmingham) Major Minor; North (Leeds) Get Up and Go; North East (Newcastle) Platform VI; North West (Manchester) Music is My First Love; South (Southampton) Keepsakes; South West (Plymouth) Peninsula; West (Bristol) Day Out.

BBC 2

6.40-7.55 a.m. Open University.
11.00 Play School.
2.15 p.m. Other People's Children.
2.30 Wordpower.
3.00 Reading the Signs.
3.30 Parents and Children.
4.55 Open University.
7.0 News on 2 Headlines.
7.05 Zarabanda.
7.30 Newsday.
8.10 Worldwide.
9.00 Three Piece Suite.
9.30 The Man Alive Report investigates, discovers, questions Industrial Growth.
10.20 Oscar Peterson Invites...
11.05 Late News on 2.
11.15 Beethoven Plus One.
11.45-11.50 Closedown. Rosalind Shanks reads "Needles" by Christine Furnival.

LONDON

9.30 a.m. For Schools. 10.40 Hammy Hamster's Adventures on the Riverbank. 11.05 For Schools (continued). 12.00 Noddy. 12.10 p.m. Rainbow. 12.30 Paint Along with Nancy. 1.00 News. 1.20 Today's Post. 1.30 Crown Court. 2.00 Good Afternoon. 2.25 Sam. 3.20 Emmerdale Farm. 4.20 Michael Bentine's Potty Time. 4.45 Magpie. 5.15 Out of Town. 5.45 News.

6.00 Today.
6.35 Crossroads.
7.00 Dave Allen and Friends
7.10 The Six Million Dollar Man.
7.30 Tom O'Connor.
9.00 This Year Next Year.
10.00 News.
10.30 Once Upon A Lifetime.
11.15 Jack Parnell and his Music.
11.45 Night Gallery.
12.25 a.m. Close: Rosemary Simonds reads extracts from "Love Reaches Out" by Ulrich Schaffer.

All IBA Regions as London except at the following times:

ANGLIA

ATV MIDLANDS

BORDER

CHANNEL

GRAMPIAN

GRANADA

1.20 p.m. This is Your Right. 5.10 This is Your Right (repeat). 5.15 Crossroads. 6.00 Granada Reports. 6.30 Rising Damp. 7.30 The Bionic Woman. 11.00 Homicide.

HTV

SCOTTISH

SOUTHERN

TYNE TEES

ULSTER

WESTWARD

YORKSHIRE

RADIO 1

RADIO 2

RADIO 3

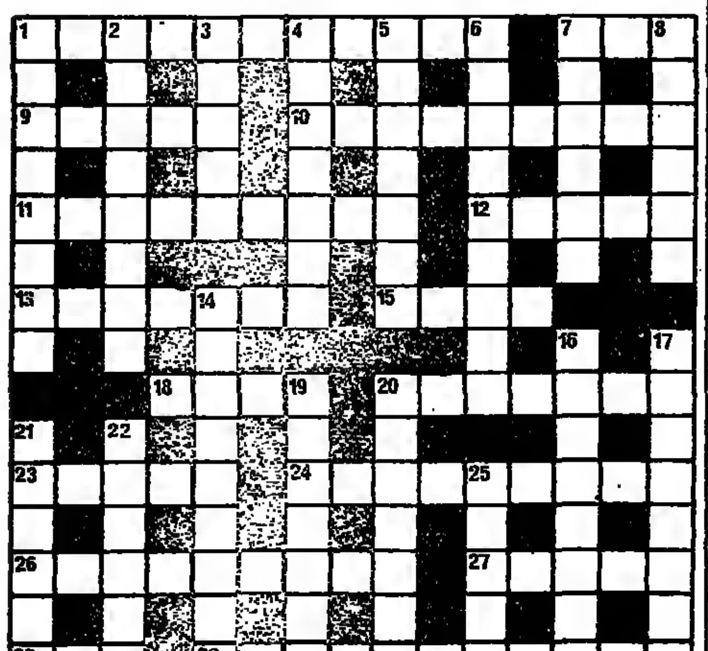
RADIO 4

BBC Radio London

London Broadcasting

Capital Radio

F.T. CROSSWORD PUZZLE No. 3,336



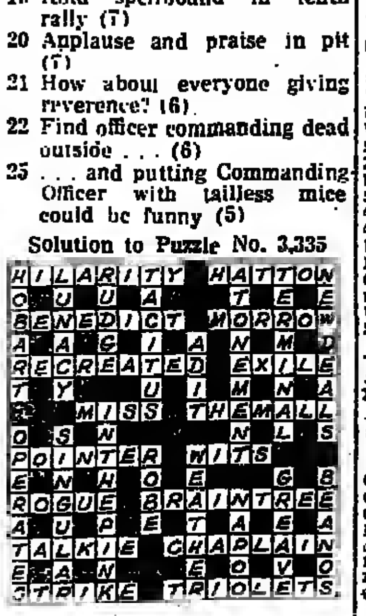
ACROSS

1 Provide food and support—or just grub? (11)
7 Right to come back? Rubbish! (3)
9 Be of value to a state I left (5)
10 Splendid display requiring time in the larder (9)
11 One compulsorily enrolled to study the text (9)
12 Fruit. A variety of lemon? (5)
13 Status went first and irritated (7)
15 Search minutely—on a slope? (7)
16 Fever that gets half of us in time (4)
18 Fish to conk, but only partially (7)
23 Take over a party exercise (5)
24 Putting roof on that church in Greek capital (8)
26 Lead around there to be thrashed (9)
27 Meant to change but remains on stage (5)
28 Small and sweet at heart (3)
29 Discreet friend speaking as an M.P.? (11)

DOWN

1 Court if one has opportunity on railway (8)
2 Going by rail for instruction (8)
3 Roman Catholic embracing priest—a custom from the past (5)
4 Insinuated that one politician was untruthful (7)
5 A means of igniting a boat (7)
6 One who should know his way—the way to the Creator (4-5)
7 Racket not seen at Wimbledon but may be heard (6)
8 What the judge is doing could be distressing (6)
14 Disembark from vessel that gives guidance and warning (9)
16 Not a particle one left but it's theoretical (8)
17 Cunning about illumination in a small degree (8)
19 Hold spellbound in tenth rally (7)
20 Applause and praise in pit (7)
21 How about everyone giving reverence? (6)
22 Find officer commanding dead outside . . . (6)
25 . . . and putting Commanding Officer with tailless mice could be funny (5)

Solution to Puzzle No. 3,335



هكذا من الأصل

...val Hall

Muti's Prokofiev

by MAX LOPPERT

...exander Nevsky Cantata ... Sinfonietta made up the ... Riccardo Muti's concert ...e New Philharmonia ...a and Chorus on Sunday. ... performance was one to ...great confidence in the ...r as a natural Prokofiev ...er. The Cantata was ... reading at once rough ..., with flabby, vacillating ... or else spurts of speed ...stitute for weight, mas... ...endour, and inexorable ...

... was little glory in the ... (strings skating, ...not in the icy manner ... them, along their parts; ...accurate brass; the kind ...ertain ensemble that ...accusing finger at the ...r's control) or chorus ... of tone, the altos ...y flavourless). There ...y in Irina Arkhipova's ... of the lament, a moment ... we recalled the true ...lemotic but also distinc... ...olourful, of Alexander ... in the concert hall, in ...ances more assured and ...vent than this.

...infonietta is an early ...itten in 1909, before the *Classical Symphony* and under the influence of Nicholas Cherepnin, then substantially reworked some years later—this version was played here. Five light movements pass pleasantly by, with very little impress on them of the real Prokofiev bite. A possible exception is the Scherzo, with its buzzing pizzicatos and sudden stabs of percussive pungency from low strings; but the Intermezzo sounds like watered-down Chabrier—although, here and elsewhere, the performance seemed so tentative that decent *acquaintance* with an unfamiliar score has still to be made.

Muti continues to stir lesser-known pieces into his concert programmes, to sometimes stimulating effect. Another example in this first half was the Stravinsky Opus 3, his *Scherzo fantastique* of 1907-8, looking forward to *Firebird* and sideways to Stravinsky's master Rimsky-Korsakov, in a tracery of enjoyable opulent elaboration. A certain sheen on the strings, a quick-spiritedness from the wind, was a reminder of the conductor on happier and more characteristic form. But the general impression was similarly hazy.

...ancras Church

C. P. E. Bach

...y NICHOLAS KENYON

...ghtly thinner Camden ... than some we have en... ...l the past opened on ... *night with a choral con...* the Collegium Musicum ...m under Laszlo Heltay. ... the work was unknown, ... church of St. Pancras ...spectably full, which ...w valuable the Festival's ... *still is to events which* ...herwise pass unnoticed ... margins of London's ... life.

...E. Bach's oratorio ...*hung und Himmelfahrt* ... (The Resurrection and ...n of Jesus) was receiv... ...t was probably its first ... performance in this ... the BBC broadcast a ...tal recording of the ... unavailable here, a ...f years ago, and back ...fties Sir Anthony Lewis ...d substantial extracts ...e work; but no other ...ances have been un... Now a new edition of ...orio has been prepared ... Heltay's compatriot ... arvas, and a vocal score ...ble through Eulenberg; ...ght to stimulate more ... of a most enjoyable—...ly great—work.

...oking at the score, the ...ppeared to stand firmly ... the baroque grandeur ...del and the classical ... of Haydn and Mozart, ...g both massive *choruses* ...old tradition and rococo ...nticipating the newer ...ut in performance, the ...eep of Bach's conception ... Resurrection story, as ... the moments of banality ...lated emotion, pointed ...urther forward: to the ...th-century oratorios of Mendelssohn and his followers, intent not so much on expounding a text as on uplifting their audience by purely musical and emotional means. Here, the Brahmsian sonority of a nostalgic duet (sung by Meryl Drower and Nigel Rogers) celebrating the comforts God brings, and an ineffably cheerful bass solo *with bassoon* obbligato were entirely convincing; the thrice-repeated choruses of triumph, with their solidly homophonic writing, much less so.

Any lack of *conviction* was not the fault of the chorus, who sang with unfailing liveliness through some long stretches of uninspiring writing; it was a pity that the orchestra was well below ...s matching standard, and that Nigel Rogers (so fine in earlier music) could not find an easeful grace for his difficult arias. But Brian Rayner Cook, who as narrator had most of the splendid accompanied recitatives which intersperse the piece, distinguished the evening with a resonant, prophet-like declamation of the text which would have charmed the most demanding Victorian audience. One or two misjudged tempi and *persistent attention* to the score indicated that the direction of the music was not as firm as it might have been; nevertheless the account was reliable, and provided *above all a* valuable addition to our growing knowledge of that strangely unpredictable period of musical history, the mid-1700s.

The Entertainment Guide is on Page 40

...re Pool, Wembley

Pink Floyd

...ANTONY THORNCROFT

...ts easier and easier to ... a Pink Floyd concert ... mentioning the music. ...oup has always exploited ...al effects and now, as it ... passively playing in the ...ound, the lights swoop ... *the stadium*; the smoke ...long the sides; inflatable ...nd persons slide down ... suspended above the ...e; images splash on to a ...creen.

... all the time the expen... amplified Floyd sound of ...; guitar notes and free... ; keyboards fills any senses ...atiated with the sight. ...er the music is any good ...*is a more difficult question*. ... Floyd is the Cecil B. ...e of the pop world, which ...oably enough:

... it is not just the props that ... a barrier between the ... Floyd's music and the re..., nor even the elusive, but ...ily inhuman, nature of the ... itself. It is the fascination ... Floyd audience, and the ...a of the Floyd success; for ...ink Floyd must be among ...alf dozen top acts to come ...f the contemporary music ...menon.

... only did the Floyd pack ...0,000-seat Empire Pool five ... last week, but the crowds ...litering hopefuls, nestling *close outside* the auditorium to catch the remnants of the sound, would have been considered a healthy audience in themselves by most *artists. I have never seen* such a big surplus.

Then, again, the *Floyd seems* to replenish its supporters. The average Rolling Stone fan is nudging 30. The Pink Floyd are exact contemporaries yet their fans *seem* to be a constantly changing band of 16 year olds. The group manages to stay the personification of "A" level pop.

As for the new music, the lyrics seem unnaturally aggressive for a band which is now *extremely rich* and mature, but then lyrics have never been important to its success. The actual sounds have changed little, still managing to stimulate one minute and bore the next.

The Pink Floyd has made a serious contribution to popular music (the fact that it played straight through its new album *Animals* and its old *Wish You Were Here* with scarcely a word for the crowd suggests that), but whether it deserves to command such devotion without developing much musically is doubtful. The fact that the Pink Floyd's appeal is to *a* specific audience may be commercially fortunate but musically very limiting.

A British Cultural Festival in Iran

...British Cultural Festival is ...o be held in Iran in October ... year. The British Council ... organise it in collaboration ... the Foreign and Colonial ...e and with the co-operation ...he Iranian Government. A ...mittee of Honour, under the ...rmanship of Lord Drogheda, ... been formed to raise funds ...a British companies repre...ted in, and trading with, Iran. ...here will be performances by ... Sadler's Wells Royal Ballet ...apany and the Prospect ...atre Company. Norman Del ... will conduct the Teheran ...aphony Orchestra, with John ...lon as soloist, and Denis ...Csldin will conduct the ...tional Iranian Radio and Tele...ion Chamber Orchestra, with ...ather Harper. The Aeolian ...ing Quartet and The Scholars ...l give concerts in major ...nian towns.

...An exhibition of gold and ...ver has been organised by the ...orshipful Company of Goldsmiths, and a contemporary design exhibition by the Design Council and the Central Office of Information. The British Council will display contemporary paintings, ceramics, and textiles, architecture, books and textiles, and there will be a tour by military bands.

Verdi's Requiem in York Minster

On Passion Sunday, March 27, all the nine independent Quaker schools in this country will combine their choirs for a concert in York Minster. They will form a chorus of about 400 to perform Verdi's *Requiem*, with professional soloists Patricia McCarry (soprano), Bridget Bartlam (mezzo - soprano), Edmund Bohan (tenor) and Emyr Green (bass) plus an orchestra of 82 players. The conductor will be John Hastie.

Winterhalter: Queen Victoria and family (1846)

National Portrait Gallery/Royal Academy

Happy and brilliant year

by WILLIAM PACKER

The Silver Jubilee of Her Majesty's Accession is proving itself already to be a splendid excuse for all manner of celebration and amusement, with a *great deal still to come*; which is just as it should be. And if some of the loyal treats have about them the faintest whiff less of the long-ordered than the opportunistic demonstration, they need be none the less loyal for that.

An exhibition of Royal Photography, from the early days of the calotype to these later days of the Hasselblad, and examining it in all its aspects, whether official, documentary, or participatory, would have been worth mounting in any year, for it is a subject of wide interest and considerable historical importance. In such terms indeed was the idea first mooted: and the National Portrait Gallery, a natural host to such a scheme, set to work on it. But the happy chance of the Jubilee was too good to pass up, and what would have happened in due course now becomes a major event in the calendar.

The exhibition, surprisingly, is rather small, and a little disappointing initially, in that much of its material is not unfamiliar: but the archive has long been plundered by the illustrated magazines for souvenirs and articles, and the informal Royal shot is the common-place of contemporary *pictorial* journalism. Moreover, the important photographic exhibitions of recent years, especially those that have explored the early history of the medium, have made public much that was hitherto obscure, or forgotten, or simply kept private. What else but familiarity, therefore, should we have expected?

And out of it, of course, come certain distinct and useful *qualities*: for the show is unusual in that it brings together so much that we have known piecemeal. For once we can make comparisons, scholarly or not, on the evolution of court portraiture and reportage, or on the persistence of a family likeness. And the rarities are fascinating: leaves from an album belonging to the late Duke of Gloucester, as it were any family album, full of snapshots of children playing in the garden; or ancient picnics in the Highlands, dances given for retainers, John Brown, the Old Queen working at her red boxes.

Nearer our own time, on the one hand the Art becomes more self-conscious, on the other the general coverage becomes more immediate and superficially more revealing; and we lose the timeless calm that traps the images of the older world like flies in amber, shutting it off from our own: which is not to say that a picture of Edward VII as a young man, for example, and eminently fashionable, is any the less truthful than one of his harassed and desperate grandson and namesake.

Many of the photographs are extremely fine, performing far *more than a merely documentary* function, ranging from the severe but magnificent studies of Victoria and Albert made by Roger Fenton, to those by Cecil Beaton a century later. Romantic to the point of indulgence; of *Queen Elizabeth*, now the Queen Mother, and her daughters. And they point a notable oddity of Royal patronage, that whereas commissions to artists in this time have been neither adventurous nor distinguished, the best photographers have been sought out and continue to this day to be employed.

This delightful exhibition, "Happy and Glorious," remains at the National Portrait Gallery until October 2.

Meanwhile, at Burlington House, another celebratory show has opened; which is no surprise, for it is unthinkable that the Royal Academy should have done nothing to mark this special year. Taking a cue from Queen Victoria's remark at her own Jubilee in 1887, that she could never forget "This Brilliant Year," it has attempted to recall the mood and manner of that occasion, building a show upon the Art and Taste of high Victorian England, then at the apogee of its Imperial confidence, and concentrating especially on them as they were exemplified at Court.

And so the private apartments are filled with an engaging assortment of objects and paintings, many of them exhibited *for the* first time, with many important items lent from the Royal Collections. Curios and memorabilia are always intriguing, powerful *stimuli* to the imagination, and here they form a major portion of the show. We are shown the Queen's extremely grand painted box, and the sailor suit worn by the infant *Prince of Wales for his* portrait, the Queen's hand and her daughter's, both life-size, carved in marble; and commemorative coins and pottery, prints, photographs, and papers.

But if the show is important, it is for the paintings and sculptures it contains, in particular the official portraiture of the first two decades of the reign, the paintings by Winterhalter and Grant, the busts by Chantrey. Winterhalter is especially interesting, for his work is seldom seen save the odd, isolated example, and those reproduced tend to be only the most famous. He was the last Court Painter to flourish as such, in this country at least, though by no means the best, and it is to him, more than to anyone else, that we owe our image of the Queen, her young family, and the Prince Consort, during the forties. His work has thus been seen for the sake of its subject-matter, and known at second-hand, suffering critically in consequence. He deserves this closer look, and stands up to it well. The paintings are fresh and direct, attractively so and carried through with an admirable panache. No one after him was able, or perhaps those that were were never asked, to make that grand machine, the state portrait, run so smoothly.

In 1887 fifty years of English paintings were celebrated in an exhibition in Manchester. As a rider to this show, a few of the works shown then are hung together, in the furthest gallery. They make a remarkable and most enjoyable group, that embraces the extremes of Victorian taste, most of it hardly to be taken seriously until very recently, some of it still fairly laughable.

Mitchell's "Hypatia" is strong stuff; Dyce's view of Titian as a little boy, for all Ruskin's enthusiasm, merely an illustration; and there is not much to say for the von Herkomer, the Walker, or the Alma-Tadema. But suddenly Lady Butler's *heroes* are more interesting than they were, and so is Burton's dying Cavalier, apparently his only successful work. And, quite apart from the Linnell and the Turner, . . . and . Orchardson's incipient domestic crisis, we need *make* no apology for enjoying Leslie's charming genre piece. The Tate's "April Love," by Arthur Hughes, is one of my favourite pictures.

"This Brilliant Year" remains on view until July 10.

Purcell Room

Ars Nova

by NICHOLAS KENYON

Matthew Locke died 300 years ago, in August 1677. "What hope for us remains now he is gone?" asks Henry Purcell's lament on his death, "ev'n he, whose skillfull Harmony had charms for all that we endure." Purcell's own skill in this expressive lament (sung with crystal-clear purity of voice by Emma Kirkby) rather overshadowed Locke's own pale imitations of Italian vocal style, heard in the concert's first half. And a taut, exciting little Ground by John Blow similarly outpaced the frankly uninteresting early suites by Locke that we heard.

But two later suites (published in the 1677 collection *Tripla Concordia*) made a much more distinctive impression with their chromatic harmonies and angular *phrases*: Duncan Druce (whose sound on the baroque violin is not the most ingratiating) made lively play with the Jig and Country Dance which ended the suites, and he was well complemented by Nicola Clemidson: Greater variety and attack in the mostly reliable continuo playing by Peter Holman (the group's director), Tim Crawford and Mark Caudle would have increased the music's appeal.

Michael Morton joined Emma Kirkby in duets by Locke and Blow, including the two dialogues which Hawkins described as "the best vocal compositions of the time," but they were sung with an excessive tightness which failed to communicate the passion of the words. Over the whole evening hung a suspicion of amateurishness (missing copies of music, ill-matched keyboard instruments necessitating *constant* re-tuning by the strings) which one hoped was becoming rare in worthwhile concerts of this sort.

Covent Garden Proms

There will be a sixth season of Proms at the Royal Opera House, Covent Garden, from Monday April 11 to Tuesday April 19 including four evenings of opera and four of ballet. It will be sponsored by Midland Bank. As in previous seasons, the *stalls* area will be cleared of seats, and 700 tickets for this area will be available one hour before curtain up at only 50p.

The Royal Opera will present two performances of *Tosca*, and one each of *Peter Grimes* and Gounod's *Faust*.

The Royal Ballet will present Frederick Ashton's *La Fille mal gardée*, John Cranko's *The Taming of the Shrew* and two triple-bill programmes.

New York music

Elliott Carter

by ANDREW PORTER

Elliott Carter's latest composition, dedicated to the New York Philharmonic and its music director, Pierre Boulez, is *A Symphony of Three Orchestras*. It was given its first performances last month in the Philharmonic subscription series (each concert in which is played four times), has already been recorded by CBS, and will also be heard in Boston, Chicago, *Cleveland, Philadelphia*, and *Los Angeles*, being one of the six Bicentennial commissions funded from Washington on the understanding that the six major orchestras of America will each play all of them.

The symphony, which lasts 15 minutes, is the richest in colour and the most romantic of Carter's scores. Orchestra I, of strings, brass and kettledrums, sits stage right. Orchestra III, of strings, woodwind and unpitched metal percussion, sits stage left. Between them is Orchestra II, an ensemble of soloists (a handful of strings, piano, xylophone, marimba, chimes and three clarinets)—a *concertante* group to the *ripieno* of the rest. The introduction is specifically linked to the opening lines of Hart Crane's poem, *The Bridge*:—

> How many dawns, chill from
> his rippling rest
> The seagull's wings shall dip,
> and pivot him,
> Shedding white rings of
> tumult, building high
> Over the chained bay waters
> Liberty.

Crane's long poem, a kind of optimistic, affirmative, Whitmanesque riposte to the bleakness of *The Waste Land*, appeared in 1930. Its symbol is Brooklyn Bridge, New York's noblest monument, the first span that linked Manhattan, not exactly to the mainland, but at any rate to Brooklyn and thus to Long Island. Long before I had read Crane I walked that bridge and felt heart, mind, and *spirits* leap at the beauty and majesty of the structure—twinned Gothic arches at either end soaring to support the span; complicated cradles of wire patterning the sky above; New York harbour far below stretching to the ocean. There is a monograph, Alan Trachtenberg's *Brooklyn Bridge: Fact and Symbol*, that traces the role Brooklyn Bridge has played in American imaginative thought; since then, Marianne Moore, Elizabeth Bishop, and now Carter have also hymned it.

The other symbol in *The Bridge* is the subway, the bridge's dark shadow—dreamer's path amid the stars, and swift passage-way tunnelled through the earth. On the bridge, Crane's thought goes voyaging to distant shores with the clippers below him. But he goes home to Brooklyn by subway, and finds that Poe, embodiment of American anguish, is then his companion. The New York subway is dirty, noisy, and by all accounts dangerous, but after three years here I still find a subway ride a romantic adventure. Diving in at 72nd Street, where I live, I can emerge soaring above acres of primeval forest that still *grow* beside a deep romantic chasm where the Bronx river swiftly runs; or be debouched at the southern tip of the island, where ferries set out for Staten Island and Liberty; or plunge under the river itself to emerge in the different more spacious world of Brooklyn.

So I was primed to respond to the imagery of *The Bridge* and of the symphony. And prepared by early chorister experience of Whitman, as musicked by Holst (Carter's teacher at Harvard), Delius, and Vaughan Williams, to follow Crane's Whitmanesque extensions of his symbol—for his Bridge continues, to span the whole continent, merging *with* railroad and river, with the dances of Pocahontas, with Indian and pioneer, with Columbus's dream of the passage to India. Carter's symphony is not in any close sense a musical "transcription" of Crane's poem, but images from it suggested some of his musical imagery, and his exploration in recent works—the Third String Quartet, the Duo for violin and piano—of different tempos that move concurrently but not synchronously prepared the way for this "Bridge" symphony.

The opening is picturesque, almost "programme music." Soft, high, wide-spaced triads from the violins of Orchestras I and III, laid one upon another, suggest aeolian strains through the great harp *of the supporting* wires. Three piccolos begin the "tumult" of gull cries. Then a single trumpet goes winging out in long solo flight. After this introduction, each of the three orchestras plays four movements, each of them twice, and the 12 movements—each at a different tempo, and each based on a different three-note chord—are so lapped and spaced as to provide a kaleidoscope of imagery created by distinct harmonies, melodies, timbres, and speeds heard one against another, or three at a time.

The result is not Cage-like chaos, even though, when the detailing grows particularly dense, the general impression and not the precise definition of the movements is all the ear can perceive. There are sonic landmarks by which one learns to find one's way through the piece: two rhapsodic violin solos, a peal of bells clanging open fifths (suggested by lines in another Crane poem), a poignant melody from the bass clarinet, a sudden insistent reiteration of G minor. There are shimmering touches from a bell-tree, warm cello cantilenas, and brass structures built note upon note in a way that suggests the courses of the "twin monoliths" (Crane's phrase) which carry the bridge. One movement is built of piled up sixths, one of open fifths, another of major and minor triads.

By a triumph of musico-mathematical ingenuity, the composer has caught all the differing concurrent tempi within a single set of bar lines, so that one conductor can keep time for all three orchestras. This makes the score trickier to read than it is to listen to. The detailed working in Carter's music has long fascinated analysts, but its appeal is finally to the romantic imagination. In this symphony, the combination of visionary aspiration, picturesque detail, very careful, sound construction, and colourful orchestration produces memorable music.

Any new piece by Elliott Carter is an event. All four concerts were packed. And Boulez's orchestra played the piece with increasing mastery.

COMPANY NOTICES

BRASCAN LIMITED

Notice to Holders of Share Warrants to Bearer

Brascan Limited ("Brascan") has arranged with Morgan Guaranty Trust Company of New York at Brussels, Belgium ("Morgan Guaranty") to establish a facility for Bearer International Depositary Receipts ("IDR's") in respect of Class C Convertible Ordinary Shares without nominal or par value in the capital of Brascan (the "Class C Shares"). The IDR's are intended to replace the existing share warrants to bearer (the "Bearer Warrants") representing Class A Ordinary Shares without nominal or par value in the capital of Brascan (the "Class A Shares") in preparation for Brascan's continuation under the Canada Business Corporations Act (the "Act").

The Act requires that shares issued by Corporations subject to it be in registered form. The IDR's will permit Brascan to comply with this provision and at the same time permit holders of the Bearer Warrants to continue to have a bearer instrument evidencing their share interest in Brascan. The Class C Shares represented by the IDR's are generally Non-Voting shares, are convertible without charge at any time on a share-for-share basis into Class A Shares and rank equally with the Class A Shares in all other respects.

Holders who deliver their Bearer Warrants to Morgan Guaranty will receive IDR's in denominations of 5, 25 and 100 representing Class C Shares equal to the number of Class A Shares represented by Bearer Warrants surrendered. Holders of Bearer Warrants representing less than five shares or to the extent the Bearer Warrants represent shares in excess of a multiple of five will have the option of:

(A) Buying or selling on the market the number of Bearer Warrants required to bring their holdings to five shares or to a multiple thereof.
(B) Accepting from Morgan Guaranty registered Share Certificates, or
(C) Combining the alternatives described in (A) and (B).

The Directors of Brascan have determined that all dividends payable on Class A Shares after February 1, 1977 will be paid to holders of Bearer Warrants only upon surrender of such Bearer Warrants (with Coupons Serial Nos. 154/160, both inclusive, and Talons attached) in exchange for IDR's or for registered Share Certificates.

In order to ensure prompt receipt of future dividends, holders of Bearer Warrants should arrange to have their Bearer Warrants exchanged for IDR's or registered Share Certificates as soon as possible. Bearer Warrants (with Coupons Serial Nos: 154/160 both inclusive, and Talons attached) should be surrendered to:

CIK
59, Rue de Namur
1000 BRUXELLES
(For Account No. 1050/20 of Morgan Guaranty Trust Company of New York, Bruxelles)

NOTE:
(1) Bearer Warrants should be filed by denomination.
(2) The Delivery Advice should state the number of Warrants of each denomination.

Morgan Guaranty Trust Company of New York,
35, Avenue des Arts,
1040 BRUXELLES

NOTE:
(1) Bearer Warrants should be filed by denomination and by serial numbers.
(2) The Delivery Advice should state the number of warrants of each denomination and should include a list in numerical order by denomination.
(3) Holders are invited to lodge their Bearer Warrants through their own Bankers.

No charge will be payable upon such exchange. All other fees or charges relating to the IDR's will be for the account of the holders of IDR's.

Dividends received on Class C Shares represented by IDR's will be paid by Morgan Guaranty, after deducting an administrative charge to holders of IDR's against presentation of designated coupons as published in—

BELGIUM	—	Agence Economique et Financiere L'Echo de la Bourse De Financieel Ekonomische Tijd Luxemburger Wort
THE UNITED KINGDOM	—	The Times The Financial Times
FRANCE	—	Journal Officiel
THE NETHERLANDS	—	Algemeen Handelsblad
GERMANY	—	Borsen-Zeitung

Past due Coupons detached from Bearer Warrants up to and including Serial No. 153 due January 31, 1977, will continue to be paid until April 28, 1977 by existing Paying Agencies listed in the Notice published with respect to the payment of Coupon No. 153. On and after April 29, 1977, all past due Coupons detached from Bearer Warrants up to and including No. 153 will be payable only at the offices of Morgan Guaranty in Brussels and Antwerp.

IDR's will be listed and traded on the Brussels Stock Exchange on or about March 24, 1977.

TORONTO
21st March, 1977.

DURBAN ROODEPOORT DEEP LIMITED
(Incorporated in the Republic of South Africa)

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the eightieth annual general meeting of Durban Roodepoort Deep, Limited, will be held in the conference room, eleventh floor, 63, Fox Street, Johannesburg, on Thursday, 21st April, 1977, at 15h30 for the following business:

1. To receive and consider the audited annual financial statements for the year ended 31st December, 1976;
2. To elect directors in the place of those retiring in accordance with the provisions of the company's articles of association;
3. To place the unissued shares under the control of the directors.

The register of members of the company will be closed from 15th to 21st April, 1977, both days inclusive.

A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and speak and, on a poll, vote in his stead. A proxy need not be a member of the company.

For the convenience of members who are unable to attend the meeting but wish to be represented thereat, a proxy form will be sent to members on request to either the transfer secretaries in Johannesburg or to the secretaries in the United Kingdom. The attention of members is drawn to the fact that, if it is to be effective, the completed proxy form must reach the company's transfer secretaries in Johannesburg or its United Kingdom registrars and transfer agents, at least forty-eight hours before the time appointed for the holding of the meeting (which period excludes Saturdays, Sundays and public holidays).

Holders of share warrants to bearer who desire to be represented at the meeting must produce a certificate of their holding from an authorised depositary at the bearer reception office in the United Kingdom, or they must produce their share warrants at the office of the Paris correspondents, in both cases at least ten days before the date appointed for the holding of the meeting and shall otherwise comply with the "Conditions governing share warrants" in force. Upon such production a proxy form will be issued under which such share warrant holders may be represented at the meeting.

By Order of the Board
Rand Mines Limited, Secretaries,
per T. A. CROSS

London Office:
49 Holborn Viaduct,
EC1P 1AJ.
16th March 1977.

EAST RAND PROPRIETARY MINES LIMITED
(Incorporated in the Republic of South Africa)

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the eighty-first annual general meeting of East Rand Proprietary Mines, Limited, will be held in the conference room, eleventh floor, 63, Fox Street, Johannesburg, on Thursday, 21st April, 1977, at 14h30 for the following business:

1. To receive and consider the audited annual financial statements for the year ended 31st December, 1976;
2. To elect directors;
3. To place the unissued shares under the control of the directors.

For the purpose of determining those members entitled to attend and vote at the meeting the company's register of members will be closed from 15th to 21st April, 1977, both days inclusive.

A member entitled to attend and vote at the meeting may appoint one or more proxies to attend, speak, act and, on a poll, vote in his stead. A proxy need not be a member of the company.

A proxy form will be sent to members on request to either the company's transfer secretaries in Johannesburg or to its secretaries in the United Kingdom. The attention of members is drawn to the fact that, if it is to be effective, a completed proxy form must reach the company's transfer secretaries or its United Kingdom registrars and transfer agents at least forty-eight hours before the time appointed for the holding of the meeting (which period excludes Saturdays, Sundays and public holidays). Holders of share warrants to bearer who desire to be represented at the meeting must either:

(a) produce a certificate of their holding from an authorised depositary at the bearer reception office in the United Kingdom; or
(b) produce their share warrants at the office of the Paris correspondents; at least ten days before the date appointed for the holding of the meeting and shall otherwise comply with the "Conditions governing share warrants" currently in force. Share warrant holders will thereupon be issued with a proxy form in terms of which they will be represented at the meeting.

By Order of the Board
Rand Mines Limited, Secretaries,
per A. H. KNOESEN

London Office:
40 Holborn Viaduct,
EC1P 1AJ
13th March, 1977.

RENOWN INCORPORATED
NOTICE TO MEMBERS OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 32nd Regular General Meeting of the shareholders of the Company will be held on Wednesday, March 30th, 1977 at 10 a.m. in the auditorium on the 5th floor of the head office of the Company at 34-10 Ningumae 2-chome, Shibuya-ku, Tokyo, for the following business.

To consider and, if deemed fit, to pass with or without modification the following ordinary resolutions:

(i) Approval of the business report, balance sheet, income statement, and proposal for appropriation of retained earnings for the 32nd business term (From January 1st, 1976, to December 31st, 1976).
(ii) Election of 25 directors on account of expiration of the term of office of all the 25 directors.
(iii) Election of two (2) statutory auditors on account of expiration of the term of office of both incumbent statutory auditors.
(iv) Presentation of a solatium to the late Mr. Shoichi Ota, former managing director of the Company, and of bonuses to retiring officers in recognition of their services.
(v) Revision of officers' salaries.

Holders of EDR's are referred to condition 11 of the Depositary Receipt, and are accordingly requested to forward their instructions with regard to voting to the Depositary.

Note:—
The following Notice appears in accordance with the listing agreement 10(c) of the Company.
"There is not any service contract granted the Company, or any subsidiary of the Company, to any director or proposed director of the Company not expiring or determinable within ten years by the employing Company without payment of compensation (other than statutory compensation)."

Robert Fleming & Co. Limited
Depositary

London.
22nd March, 1977.

CROSSLEY BUILDING PRODUCTS LIMITED

25P ORDINARY SHARES

We hereby give notice that the Share Transfer Books and Register of Members of the 25p Ordinary Shares of the Company will be closed from Tuesday, 3rd May, 1977, to Friday, 27th May, 1977 (both days inclusive) for the preparation of dividend warrants.

By Order of the Board.
G. H. M. GIBB, Secretary.

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN MITSUI & CO. LTD., TOKYO

NOTICE IS HEREBY GIVEN that at a meeting held on January 31, 1977 the Board of Directors adopted a resolution authorising a free distribution of shares of the Company's Common Stock to shareholders of record as of 3.9 p.m., March 31st, 1977 in Japan (March 30, 1977 in New York City), at the rate of 1 share for each 4 shares held.

Citibank N.A.
London Depositary.

March, 1977.

DISCOUNT BANK INVESTMENT CORPORATION LIMITED

Copies of an announcement to the press issued on 21st March, 1977, concerning a public offering of shares in the above company may be obtained from the offices of S. G. Warburg & Co. Ltd., St. Albans House, Goldsmith Street, London, E.C.2, during normal business hours until 31st March, 1977.

AOKAM TIN BERHAD
(Incorporated in Malaysia)

The Transfer Books will be CLOSED from 15th to 18th April, 1977, both dates inclusive.

APPOINTMENTS

COMMODITY APPOINTMENTS. traders, trainees, administrators and accountants. Tel. Graham Stewart. 01-439 1701.

OPPORTUNITY for young energetic accountant to take over the office of small company. Salary negotiable. Please apply in writing to London Flowers Ltd., 72 Old Brompton Road, S.W.7. Attention Miss Owens.

STOCKBROKING/MERCHANT BANK investment analyst, mid 20s, exp. building/allied trades, also foreign securities clerk exp eurobond sett. Tel. Evans Agency. 628 8660.

BUREAU DE CHANGE. London, W.1. Experienced manager with full operational knowledge required for new bureau opening close Oxford Circus. Excellent salary and prospects. Please telephone 01-637 0821. Ref. RS.

LEGAL NOTICES

No. 00914 of 1977

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of PUBLITALIA LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 14th day of March 1977, presented to the said Court by THE COMMISSIONERS OF CUSTOMS AND EXCISE of King's Beam House, 39-41, Mark Lane, London, EC3R 7HE, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 25th day of April 1977, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing in person or by his Counsel for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

G. KRIKORIAN,
King's Beam House,
39-41, Mark Lane,
London, EC3R 7HE.
Solicitor to the Petitioners.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 22nd day of April 1977.

EUROPEAN NEWS

NEW U.S. ENVOY IN ROME

Communist hopes for end to ostracism

BY DOMINICK J. COYLE IN ROME

THE ARRIVAL of a new ambassador in Rome is hardly the stuff for headlines, but this principle does not hold good when he is the new envoy of the Carter administration, Mr. Richard Gardner, who flew in here to-day to the concern of Italy's long-ruling Christian Democrats and the barely-concealed hopes of the country's powerful Communist party for better relations with Washington.

The Christian Democrats suspect that President Carter's new man in Rome, replacing the arch-conservative Massachusetts Republican, Mr. John Volpe, will, uniquely for an American envoy in Rome, open direct contacts with Communist Party (PCI) leaders of the kind maintained by some—but by no means all, including the British—ambassadors in the Italian capital.

The Communists will be disappointed if Mr. Gardner does not do just that, and it is already clear that the PCI leadership expects under the Carter administration an early change from the "old cold-war anti-Communist stance reactivated by the Nixon-Kissinger team." Certainly, Mr. Volpe personally made sure he had no truck with Italian Communist leaders and delegated whatever essential contacts were felt necessary to an embassy diplomat with the rank of first secretary.

But the PCI expects a significant, if gradual, change under the Carter Government, a change, it is argued here, motivated at least by a desire in Washington to know more about the Italian brand of Communism and in recognition of the fact that the party does not command the support of more than one in three of the electorate.

For the Communists, it is as much a question of image-building as anything else. The party insists that in Government with the Christian Democrats (its long-cherished "historic compromise") it would remain a firm supporter of Italy staying within NATO and the Common Market, although in both alliances it would like to see some changes. And what better endorsement could there be for the PCI's professed commitments to democracy and pluralism than diplomatic acceptance by the U.S.?

None, in the view of Italian Communists, who feel rightly that they have been ostracised diplomatically, by successive Washington administrations and that the party's top leaders have been denied even the chance to visit the U.S. by an over-rigid interpretation of a 1952 congressional law governing the granting of visas to known Communists.

True, any change may be one of emphasis rather than real substance, at least in the foreseeable future, but symbolism is impor-

Mr. Richard Gardner

tant in Italian politics, and one can only now speculate on the type of coverage—not to mention interpretation—that the local media would give to a photograph, say, of Mr. Gardner shaking hands with PCI leader Sig. Enrico Berlinguer, during what elsewhere would be seen as a routine ambassadorial courtesy call.

President Carter himself, both in his election campaign and since, has made it fairly clear that his basic attitude to Italian Communists is not essentially different from that, for example, of Dr. Henry Kissinger. He would not personally like to see the Communists in Government here, but his accompanying emphasis that this was a matter to be determined essentially by the Italian electorate has given the Communists some hopes that the Carter Administration, at very least, would not work actively against them. The opposite was always assumed to be the case with President Nixon and Dr. Kissinger, and certainly Mr. Volpe did nothing to change that assumption.

President Carter has underlined the importance he attaches to Mr. Gardner's assignment by having (and attending personally) the new envoy's swearing-in ceremony at the White House last week-end rather than, as is usual, at the State Department and before the Secretary of State.

Certainly, Mr. Gardner, who is on secondment from Columbia University where he is Professor of International Law, arrives in Rome at a time when Italy's political, economic and social structures are in some turmoil. But this goes too, in large measure, also for the Italian Communist Party, and certainly a little image-building abroad just now might help to counteract some of its internal troubles.

These stem from a number of issues, but not least from growing dissension among PCI rank-and-file supporters over the party's policy of effectively maintaining the present minority Government "of the hated Christian Democrats" in office. It is the Communists' policy of parliamentary abstention which keeps Prime Minister Giulio Andreotti in office, and it is Sig. Andreotti's economic policies, dictated admittedly in large measure by the International Monetary Fund, which are alienating the membership base from the leadership of the Communist trade union confederation CGIL.

This month's student riots in Rome, Bologna and elsewhere in Italy, while obviously exploited by paramilitary forces on the political extremes, have demonstrated that much of Italian youth is not just opposed to the old Christian Democrat order, but that it is not much impressed either with the Communists. Last week's PCI central committee meeting on this very topic produced its own strains and a questioning of the wisdom of "acting responsibly" by maintaining the Andreotti Government in office, even at this delicate moment for the Italian economy. Some members called for a return to full-blooded parliamentary opposition, in effect for bringing down the Government and taking a chance of new elections.

Sig. Berlinguer, who has also the politically sensitive (both at home and in Moscow) problem of determining the extent of his party's public reaction to the question of dissent in Russia and the Communist bloc, could use a little endorsement of his professed policy of "responsibility." This, in the eyes of the party leadership, is precisely where Mr. Gardner comes in.

Mintoff for talks with Ow on bases

Maltese Premier, Mintoff, leaves for Lon where he is to discu issues with the Foreign Dr. David Owen, and increased British ind vestments in Malta at meetings planned to with leading British ind writes Godfrey Grima Official sources in Va firmed that Mr. Mintof sions with Dr. Owen largely Britain's mili drawal from Malta wh this year and will last u 1979. By that time create 23,000 new jobs its developing econom be adversely hit by t of the bases which ne annual £M30m. While for the first 11,000 already been made, £M120m. is needed to additional 12,000 jobs.

A major objective of to Britain is to encou British firms to open in Malta and Mr. Mint offering Middle East an markets as inducement One of the first mee be with Sir Arnold chairman of GEC, whic to open a switchgear Malta. Mr. Mintoff is nected to have talks wi Siddeley which is also a switchgear factory i

Greece a Turkey s manoeu

Greece and Turkey be and air force manoe different areas of the yesterday as tension between the two Reuter reports from Turkey's week-long exe being held in the easter and the four-day Greek are taking place in the Greeks have claimed th manoeuvres will hinder air traffic, but the Tu rejected this assertion Turkish exercises are b in international waters take the Turks nea islands. The Greek Air on patrol to see there is tion of Greek air s territorial waters.

Units of the Gree escorted by aircraft— positions in the western yesterday. An aut source said the manoeu been planned long be Turks announced theirs, not a reply to them.

The Financial Times, published Sundays and holidays. U.S. $178.00 (air freight) $334.00 (air mail) per annum. Second class postage paid at New York, N.Y.

هكذا من الأصل

ENCH LEFT'S LOCAL ELECTION GAINS

Coalition blames defeat on disunity

DAVID CURRY

PARIS, March 21.

IERS OF the ruling centre-coalition in France have d disunity within the ranks esident Giscard d'Estaing's rity" for the severe defeat have suffered in the local nment elections at the of the Socialist-Communist ition.

hough the majurily held on ris, of which M. Jacques the Gaullist leader, will ected Mayor on Friday, it control of some 56 of e's biggest towna. It must use that the Socialists and unists, between them now lling 159 of the 221 cities re than 30,000 inhabitants, a solid basis on which to support for the general n scheduled for March

combined Left polled per cent. of the vote—a which would translate into eral election victory, albeit ow one.

pife M. Chirac's claim that n policy of confrontation be Left saved Paris for the vatives, the Majority's were spread across its ership. A dozen Gaullists down to defeat in the country, along with 10 Centre Democrats and seven members of President Giscard's own Independent Republican Party and n collection of various Government-supporting centrist men.

Seven Ministers lost their regional power bases. The bitterest pill was the defeat at Communist hands in the 18th sector of Paris of M. Michel d'Ornano, the Giscardian nominated by the Government to run for Mayor, whose candidature provoked the entry into the race of M. Chirac. His defeat by the Left in his chosen constituency and by M. Chirac in Paris as a whole (about half the seats in the 109-strong Paris Assembly seem pledged to M. Chirac's election as Mayor) marked a severe rebuff for the President.

One of the outstanding features of the elections was the ability of the opposition parties to consolidate their vote behind a single candidate, irrespective of that candidate's individual coloration within the union of the Left. Thia display of unity, which defies the previous experience of Socialist votes hesitatiog to go to Communist candidates, brought the Communists control of 21 new town halls and altogether more than 70 local administrations, while the Socialista will provide more than 80 Mayors.

Thanks to the alliance, the Communists will have a role io 24 local Socialist-led admioistrations from which they were previously excluded.

The fact that the Communists are apparently no longer an electoral handicap in the Socialists will certainly reinforce their confidence, even though the elections as a whole illustrate the emergence of the Socialists as the country's strongest party.

The Majority parties, in contrast, failed signally to put together their full strength in the final round. M. Raymond Barre, the Prime Minister, yesterday led the chorus of voices calling for unity in the ranks to prepare for the general election. However, this will he easier said than done. The bitter feeling among the Majority was apparent as the extent of the reverse became known.

M. d'Ornano rebuked M. Chirac for creating the division which at one point looked like lnsing Paris tn the opposition. The centrist leader, M. Jean Lecanuet made clear his dislike for M. Chirac's activities. The Gaullist leader himself spelled out that he would insist on the Majority adopting his own tactics of polarising the issues and branding the Socialists as dangerous collectivists keeping undemocratic company with the Communists.

The divisions could he laid bare again within a matter of days, when M. Chirac sets about composing his Paria government. M. d'Ornano had sought the financial directorship for his own party, but with Chirac partisans close to a majority on their own account and fewer than 20 Giscardians on the council: M. Chirac may feel ill-disposed to make a concession.

For M. Barre the results are ominous. He seems condemned to try to make his economic recovery programme work against a background of erosion of business confidence, linked with the near-universal expectation that the Left will assume power within a year, depending on a President who has suffered severe loss of prestige and a Government maintaining no more than an uneasy peace withio its own ranka.

Italian crisis over IMF nears

By Dominick J. Coyle

ROME, March 21.

IT SEEMS certain that there must now be a Government *crisis here later this week*, if the opposition Communist and Socialist parties, supported by the country's three trade unioo *confederations*, *persist with* their declared intention to oppose an important clause in the Government'a proposed letter of intent in exchange for a $530m. drawing from the International Monetary Fund (IMF).

It is much less certain, however, whether this obstruction will continue, at least to the point of refusing a possible compromise which the IMF may find acceptable within an *overall framework* of *limiting* the increase in Italian labour costs this year to a maximum of 16 per cent.

Sig. Giulio Andreotti, who heads the *present* minority Christian Democrat Government, had meetings here throughout *to-day* with leaders of all the main political parties, *including* the Communist and the Socialist, whose policy of abstention in Parliament keepa the administration in office. The Prime Minister to-morrow *will* be *having* talks with leaders of the main trade union confederations and, as with the case of the various party secretaries to-day, the discussiona will centre around the proposed letter of intent to the IMF.

At issue is the Government's proposal, already given effect by decree law, to remove the consequences of higher VAT charges from the cost-of-living basket on which quarterly threshold payments are calculated. In *turn*, *the higher* indirect tax revenue is intended to offset the cost to the Treasury of meeting a part of employers' heavy social *security* contributions as, in effect, a direct subsidy to labour costs.

Brezhnev points the way to better U.S. relations

BY DAVID LASCELLES, EAST EUROPE CORRESPONDENT

MR. BREZHNEV'S speech, while making the Kremlio's first top-level reaction to the new U.S. Administration's active policy over humen rights, was clearly designed to poiot the way to further improvements in U.S.-Soviet relations, though on *clearly defined terms*.

These are that the Soviet Union will emphatically resist any attempt by outsidera to dictate how it should handle its internal affairs. Mr. Brezhnev repeated this point twice, thumping his fist as he did so. He also said it was the state's "sacred duty" to protect the rights of the Soviet people against the activities of "renegades."

This was taken as a sign that the Kremlin will not yield on dissent, publicly anyway, in the interests of detente or the forthcoming Belgrade conference to aasess the progress of the Helsinki Final Act.

But while Mr. Brezhnev all but *attacked* Mr. Carter by name, he appealed for more "tact" and "understandiog" in relatioos belweeo the Soviet Union and the U.S. The Soviet position *appeared* to *be summed up in* the words: "The Soviet Union has slways firmly upheld and will uphold its sovereign rights, its digoity and its interests. At the same time a *constructive*, realistic approach by the other side will always encounter our understanding and readiness to reach agreement."

The fact that Mr. Brezhnev alao spoke in expectant terma of the forthcoming visit to Moscow hy Mr. Cyrus Vance, the U.S. Secretary of State, appears to underline the Russians' keenness that the recent deterioration in relationa should he checked.

As if to point an example, Mr. Brezhnev said that the leaders of France, West Germany, Britain and Italy had all come out in favour of detente and closer East-West co-operation. The recent past had also seen the establishment of diplomatic relations between the Soviet Union and Spain.

Mr. Brezhnev said there were several lasks io U.S.-Soviet relations which were quite attainable. These were a new SALT agreement, the banning of chemical weapons, the removal of discriminatory trade harriers, and the achievement of a Middle East settlement.

The Soviet Union, he said was still keen for a complete han on nuclear tests and would agree to voluntary on the spot inspectioo. He also propcsed a freeze on troop levels in Europe while the talks on troop cuts proceed in Vienna. There did not appear to be anything essentially new io Mr. Brezhoev's proposals. And indeed, he regretted that the West's response had been negative.

On the Middle East, Mr. Brezhoev outlined Soviety policy in some detail. He said that Israel should withdraw from all occupied territory, not at once, hut in stages over several months. Demilitarized zones would be established on both sides of the oew "inviolable" borders.

States could also examine ways of ending the arms race in the Middle East, and the final peace settlement should include a provision about free passage for ships of all countries, including Israel, through the Tiran Straits, the Gulf of Aqaba and the Suez Canal.

The reaumption of the Geneva confereoce, in the Soviet view, was hecoming more realistic, and this could only be welcomed.

On the Helsinki conference he said that the 20 months since the sigoing had hrought broader and richer ties between East and West, and had strengthened peace in Europe. The Belgrade review meeting in a few months' time should aim not simply at summing up what had been done already hut also point the way to further co-operation.

This passage of Mr. Brezhnev's speech was noticeably mild given that many circles, though not necessarily official ones, in the West see the Belgrade conference as an occasiou to put a disappointing Soviet record under the microscope. But his remarks seem to confirm that the Russians see the event principally as a forward-looking one,

Honecker scorns protests

BY LESLIE COLITT

BERLIN, March 21.

THE EAST GERMAN leader Herr Erich Honecker, has called Westero protests against human rights violations in Communist countries a "great deal of noise ahout nothiog." Addressing the meeting of the Communist Party's Central Committee in East Berlin, Herr Honecker underscored the current campaign in East Germany and Eastern Europe to accuse the West of violating basic human rights.

Herr Honecker stated that relations between East and West Germany "have not been the way they could he," adding that this was entirely West Germany's fault.

The East German leader devoted the main portion of his report to the Central Committee to East Germany's economic prospects. He stressed that increased lahour productivity, technical innovation and conservatioo of raw materials would he crucial to achieving the target figures set for the current Five Year Plan. Herr Honecker said that "only about 10 per cent." of the newest products made in East Germany are "equal to the hest that exist internationally."

He also criticised consumer goods production, remarking "there is still a one-sided tendency toward mere quantity turned out." He emphasised the role of craftsmen in improving the supply of consumer goods,

WACS go-ahead likely

Malcolm Rutherford

E IS now a strong chance special meeting of NATO c ministers, called to take cision on the Airborne ng and Control System CS), will take place in ls on Friday.

probability is that if the g is held, it will give the it final go-ahead to the project, though in the German case it would still ubject to parliamentary al.

Friday deadline has been led in on the NATO ar for some weeks, but as recently as a day or two e German government was luctant to take part on the is that it did not want to der time pressure.

r Georg Leber, the Bonn e Minister, returned from ngton last week, however, ing that Germany would pate in AWACS provided e a NATO project.

uteaos that as many NATO ers as possible would have port it to win Bonn's back-But at present the betting t even France will come helatedly and through the door—and that could make rman position easier.

West German Government ected to notify the NATO ariat of its intentions the proposed Friday meet-day.

pressure for an early on has come largely from n, which supports AWACS, s funding an alternative mme hased on the Nimrod e AWACS is rejected by lliaoce.

Schmidt calls talks on bugging

BY ADRIAN DICKS

BONN, March 21.

CHANCELLOR HELMUT Schmidt reacted to-day to the wave of reports of illegal eaves-dropping activities by the police and security service, by saying there was "no occasion" for him to *resign*, and by calling all-party talks on the matter to-morrow morning.

The Chancellor's moves, announced at a meeting of the Social Democratic party leadership that also pondered yesterday's heavy losses in the Hesse local elections, was made as the official spokesman confirmed details of a third concrete case. Like the two previons reported examples of questionable bugging or wiretapping, it waa concerned with West Germany's Left-wing terrorists.

In March 1975, the Bavarian authorities listened in to telephone conversations between two of the terrorists eventually freed in exchange for the kidnapped West Berlin Christian Democratic leader, Herr Peter Lorenz.

Last week it was learned that the Baden-Wuerttemberg police have regularly been listening to conversations between imprisoned members of the Baader-Meinhof gang aod their lawyers—some of whom have heen strongly suspected of complicity in further terrorist plots. This case, in turn, followed the bugging of the nuclear engineer, Dr. Klaus Traube, for suspected terrorist links.

While the Traube case involved the Free Democratic Interior Minister, Herr Werner Maihofer, and Herr Schmidt himself as politically responsible for the security service, the two subsequent examples involve state governments run by the *Christian Democratic opposition*. As a condition for the all-party talks, however, Herr Maihofer has heen asked urgently to prepare a report of the present extent of wiretapping and hugging throughout West Germany.

Meanwhile, the CDU, elated by its sweeping gains in local councils in Hesse on *Sunday*, struck a blow at the unity of the coalition by urging the FDP members of the state's SPD-FDP government in Wiesbaden to change sides, as its counterparts in Lower Saxony and the Saarland have already done.

For the time beiog, this appears unlikely. Herr Alfred Dregger, the CDU leader in Hesse, is on the right wing of the party and is unlikely to soften his views on detente and on law and order issues for the sake of the Hesse FDP.

There cao be little doubt, however, that his party'a 11.5 per cent. gain has badly unnerved *SPD* and *FDP* alike. The two parties keep control of the Hesse state legislature (which was not up for re-election), but in a region traditionally regarded as a Social Democratic stronghold they have lost a lot of ground.

Vehicle sales up by sixth

BY NICHOLAS COLCHESTER

BONN, March 21.

THE LATEST order statistics for West German industry indicate a marked drop in orders both at home and from abroad in January. The Economic Ministry urgea extreme care in drawing conclusions from these figures, however, because of a change in the way the data has been compiled.

The motor vehicle market remains a bright exception, in any case. New registrations of vehicles of all aorts in West Germany in February were up by one-sixth on the January figure and by 6 per cent. on the figure for February 1976. Particularly good growth was shown in the car market where the increase between January and February 1977 was 15 per cent.

The more general order figures for January were 6 per cent. below those in December, after seasonal adjustment. The domestic order figure was down 3.4 per cent. on the same basis while the foreign order flow showed a particularly steep decline of 10 per cent. The fall in orders from abroad was particularly noticeable in the market for capital goods—14.5 per cent.

The capital goods sector also did hadly at home where the order figures fell hack 7 per cent. to below the average for the second half of last year. Consumer goods showed more lively demand with an 11 per cent. rise at home and a rather slower pick up from abroad.

The happier figures for the motor industry were accompanied by renewed evidence of a readiness to raise prices in that market. BMW announced an immediate increase in price of an average 3.8 per cent. Whether this trend spreads from the luxury car sector to the more popular end of the market depends on the outcome of a poker game between the industry and the federal Cartel Office. The Cartel Office has this year taken the unprecedented step of anticipating car price rises with the announcement that such rises could not be justified on cost grounds. The industry must now decide whether to take up this gauntlet.

The total registration figure for February was 227,319, compared with 213,580 in the same month last year. The car figure was up from 194,710 to 206,641 units.

an sub-contract

on-Barron has awarded a 00 sub-contract to an associate company Simon-s India, for the erection of animal feed milling plants g.

Asghar Khan refuses to leave Pakistan prison

RAWALPINDI, March 21.

AIR MARSHAL Asghar Khan, one of the four opposition leaders detained by the Pakistan Government, refused to leave jail to-day after Prime Minister Zulfikar Ali Bhutto ordered his release following several days of rioting.

The Government decided last night to free the Air Marshal and three other leaders of the Pakistan National Alliance (PNA) and Mr. Bhutto offered to hold conciliation talks with the PNA to end the nationwide violence stemming from opposition claims of vote rigging in the General Election on March 7. Mr. Asghar Khan was awakened by jail authorities, informed of his release and told that PNA president Maulana Mufti Mahmud wanted to meet the opposition leadership in Lahore for consultations on Mr. Bhutto's offer.

But Mr. Asghar Khan refused to be released. In a letter to the jail superintendent, he wrote: "I have considered the decision and wish to state I am not willing to leave the jail until the following conditions are met and announced over radio. He demanded that the state of emergency imposed before the 1970 Indo-Pakistan war be lifted and all political prisoners in the country released.

The three other party heads left prison and headed for Lahore.

Mr. Asghar Khan has maintained he will not accept anything except Bhutto's resignation and the scheduling of new elections. The newly elected National Assembly is scheduled to meet on March 26. The PNA has urged its elected members to boycott the meeting.

The release of the four opposition leaders coincided with a PNA call for a strike to-day in Karachi. More than half the city, which has turned into an anti-Government stronghold, is now under curfew.

A Government statement last night did not say whether the four leaders were being freed temporarily or whether charges against them of creating lawlessness by unconstitutional activities had been dropped. PNA officials said at a Press conference in Lahore yesterday that at least 10,000 of their officials and supporters had been arrested in the past three weeks.
Agencies

Tory call for Rhodesia initiative

BY BRIDGET BLOOM, AFRICA CORRESPONDENT

BRITAIN should take an immediate new initiative in Rhodesia which would involve the Government in supervising interim elections, and probably in providing personnel for the armed forces there during a transitional period.

These proposals, which also envisage UN supervision of elections leading to full independence under a black majority Government were made yesterday in a paper written for the Bow Group by Mr. Richard Blausten and Mr. Martyn Marriot, members of the Group's Foreign Affairs Standing Committee.

Although the pamphlet states carefully that its views are not necessarily those of the Group as a whole, nor those of the Conservative Party itself, they will no doubt contribute to the debate within the party on Africa policy and may prove of special interest if there is a general election. The party is so far without a coherent Africa policy.

The paper starts from the premise that Marxist Governments in southern Africa would be a "disaster" for the West.

Britain has prime responsibility for Rhodesia and "must insist, with the full support of the western alliance . . . and in consultation with the black nationalist leaders and the five front line presidents" on the "immediate" formulation of new proposals for Rhodesia.

These should involve British-supervised elections for an interim assembly, the task of which would be to draw up an independence constitution. An Interim Government with a black majority, drawn from the assembly, would run the country for a minimum of a year, after which there would be UN-supervised elections, with a constitution embodying minority rights guaranteed by the UN for 10 years.

During the transition, day-to-day control of the armed forces, police and justice would be under white control, although not of the Rhodesian Front. "This might require the importation of British personnel."

The authors declare, "If Smith proves an obstacle . . . the West must attempt to put an immediate end to the existence of his regime by persuading South Africa to close off its border with Rhodesia . . . The West must make it clear to South Africa that it regards the demise of the Smith regime as vitally important." As for South Africa itself, the West (and white South Africans) have "to understand that apartheid is doomed."

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Castro in surprise visit to Maputo

DAR ES SALAAM, March 21.

DR. FIDEL CASTRO, the President of Cuba, arrived in Mozambique to-day on a previously unannounced visit. He was met at the airport in the Indian Ocean port of Beira by President Samora Machel, according to the official Mozambique news agency.

Earlier, before leaving Tanzania after a triumphant five-day tour, Dr. Castro said that Cuba would not play any direct military role either against Rhodesia or South Africa. "We believe the struggle for independence is primarily a task which belongs to the people concerned themselves," he said.
Agencies

Reuter adds from Moscow: Soviet President Nikolai Podgorny, who left here to-day for Tanzania at the start of the first southern African tour ever made by a top member of the Kremlin leadership, stopped over in the Soviet city of Tashkent, Moscow radio reported. During his tour he will also visit Zambia and Mozambique.

Red Sea summit

A summit conference of four Arab League member states opens in Taiz, North Yemen, to-day to discuss the Red Sea, fast becoming one of the most sensitive areas in terms of Arab security, Reuter reports from Amman. The states, which will be represented by their presidents, are Sudan, Somalia, North Yemen and South Yemen, all with Red Sea coastlines.

Kuwait oil price plan

Kuwait has told its contract customers that the price of its crude oil will be increased by 5 per cent. from July 1, the Middle East Economic Survey reported yesterday, according to AP-DJ. Kuwait apparently intends to abide strictly by the price decisions adopted by the majority of OPEC.

PALESTINE NATIONAL COUNCIL

Stumbling towards Geneva

BY ROBERT GRAHAM, MIDDLE EAST CORRESPONDENT IN CAIRO

THESE past nine days of exhaustive debate in the 13th session of the Palestine National Council have marked an historic point in the Palestinian Resistance Movement. This is the first time that it has been forced to face a situation of Arab Governments engaged in the Middle East conflict actually seeking a negotiated settlement with Israel. Rather than alienate themselves from these states—upon whom they are heavily relying for support—the Palestinians have gone far enough to ensure that they are not left behind in any negotiations.

In so doing the moderate mainstream element within the PLO has begun a highly significant process whereby this "umbrella" organisation of the guerilla movements will henceforth place as much emphasis on political as on military matters. For the time being, however, it has stopped short of formally accepting a Palestinian "mini-state" on territory evacuated by Israel as part of a settlement.

The PNC is the supreme representative body of the Palestinians. Its members are selected, not elected, and though it was expanded last February to 292 delegates it is still dominated by the PLO and the guerilla organisations under the PLO umbrella — particularly Fatah, the Syrian-sponsored Saiqa, and the Left-wing Democratic Front led by Mr. Naif Hawatmeh. Not only was there been a seriousness and urgency in the discussions but also for the first time thorough advance preparation. This tends to give added impact to the results—amorphous though they might at first sight seem to be.

The results can be judged at two levels. First, compared with the blunt rejection of the last PNC meeting in 1974, yesterday's political declaration is vaguer and more ambiguous about the possibilities of a negotiated settlement. Secondly, the importance of the PLO Executive Committee and its chairman, Mr. Yassir Arafat, have been emphasised.

The tone was more militant in 1974 and reflected the aspirations of the PLO anxiety to consolidate its acceptance internationally. The new declaration seems to accept the need to bolster their negotiating position with both the Arab governments—who might want to force them into concessions if given the chance—the U.S. and Israel. At the same time it reflects Mr. Arafat's desire to present as united a front as possible. Thus, specific positions on the contentious issues have been avoided. There is no reference to improving relations with Jordan although this was one of the most fraught subjects discussed. At the same time, defiant rhetoric was inserted into the declaration so that the PNC should not appear weak in the resolution on the Lebanon, for instance, or more importantly on retaining the national charter unamended—seen by Israel as calling for its destruction.

Although the Council meeting was well prepared and on occasions appeared to be an elaborately arranged performance designed to allow everyone a say, there were three major uncertainties. No one knew to what extent Mr. Arafat would be able to consolidate his authority. It was known that the mainstream of the Council favoured a positive Palestinian response to Arab and U.S. pressure to consider attending a reconvened Geneva Peace Conference, but it was not known how this could be acceptably framed without seriously splitting the resistance movement.

Finally the Rejection Front led by the hardline PFLP had made clear its rejection of a settlement but no one knew the extent of its support or its willingness to disrupt the meeting to get its view across.

In the event Mr. Arafat has emerged with considerably enhanced personal prestige. Even his opponents conceded that he managed to steer the conference through a minefield of Palestinian and Arab sensitivities even bringing the PLO closer together.

More important still the PLO Executive Committee has been given more authority to act on its own. The previous PNC session demanded in a secret resolution that approval to attend or reject the Geneva Conference first required endorsement from the Council. According to Mr. Hawatmeh, this point is covered in the vague wording of Resolution 15 and in unpublished agreements. The resolution reaffirms "the right of the PLO to participate independently and equally in all international conferences or efforts dealing with the Palestinian cause and with the Arab-Israeli conflict in order to reaf... inalienable rights of the ... tinian people as mentio... General Assembly Res... 3236."

The reinforcement of th... matic Mr. Arafat's aut... which was being seriousl... tioned in the aftermath ... Lebanese civil war, is sign... The man who deals with ... leaders has now been g... greater margin of discre... authority. The question ... whether the PLO chairm... take steps to improve re... with Jordan.

Mr. Arafat has app... accepted an invitation t... *Amman and will go there* ... to sign a formal agreement ... ing a PLO presence back ... within the framework o... resolutions taken by the ... Summit at Rabat in 1974 ... also be important in the ... of relations with Syria ... strains here were very ... with the cold-shoulder... Syrian-backed Saiqa an... general refusal to let it ... second man on the PLO exe... committee.

As for the PFLP, for th... time it seems that they ... carried little more weigh... their representation ... were 13 official delegat... opposed to 90 from Al Fata... largest group. Traditiona... PFLP, the leading group i... Rejection Front, has ha... inflated importance in ter... influence and publicity ... PFLP attended the confe... but without Dr. George Ha... its leader. It was anxio... swing the Council and th... more towards its hard li... "armed revolutionary stru...

This it failed to do ... explains in large part wh... PFLP refused to vote in f... of the political declaratio... to take up its vacant sea... the 15-man PLO Executive ... mittee. The impression rem... however, that the PFLP is ... antagonistic towards the PL...

Overall, this Council c... ence has been successful ... declaration avoids any co... ment to change the Na... Charter that calls for the ... lishment of a democratic se... state in all of Palestine. In ... it avoids any real commit... and its results are left op... everyone to interpret acco... to their prejudices. But ... ally the resistance move... under Mr. Arafat is now s... this: we have shown a ... flexibility about a recon... Geneva Conference. More ... this we cannot show, first, ... we are formally invited ... and, second, before the Is... reveal something of their ... For us to amend the ch... or openly forgo our mi... option is throwing away ou... negotiating cards before ... start.

Mr. Yassir Arafat, chairman of the Palestine Liberation Organisation, greets the Palestine National Council in Cairo.

DISRUPTION IN CHINA

Back from the brink, bu[t] crisis stays close

BY COLINA MacDOUGALL

CHINESE officialdom is deluging the country with details of how the "Gang of Four," Chairman Mao's wife and her three henchmen from Shanghai, disrupted railways, mining, manufacturing industry and shipping.

Posters have revealed how dozens of people have been shot for causing trouble. Drought in north China is causing alarm over food supplies and the Press has called for strict economies in fuel and food. Are the Chinese exaggerating, minimising, or giving the full picture? A case can be made for saying that, though Chairman Hua Kuo-feng's leadership is acting with determination and commonsense, it faces shortages of crisis proportions.

Foreigners have to resign themselves to not knowing fully what is happening in China at the time it happens; but they can make an educated guess. The Chinese themselves litter the trail with clues. The problem is to know which are real. The test is to measure the propaganda against an enlightened and consistent reading of the Chinese Press. Enlightenment in this context means the perception that, despite a widespread *belief* to the contrary in the West, in most situations the Chinese behave like anybody else. Most Chinese wish for better living conditions, many young people want education and careers, some seek power, through politicking if necessary, and a few who are already in high positions will threaten the security of the State to stay there.

Accusations

That suggests that despite the propaganda intent, most of the serious accusations levelled against the Gang of Four in the past five months are true. What they amount to is that since 1973, but particularly from late 1975 onward, the Gang was plotting to take over power in China. This was not merely done, as was thought outside China at the time, by publishing what are now admitted to be almost unreadable ideological articles in Red Flag and the People's Daily. We have now been told that the Gang whizzed about all over China, visiting factories, terrifying the management with threats of campaigns of criticism, planting in corners with ambitious junior officials, arbitrarily appointing their followers to senior posts, causing "anarchism" by abolishing rules and regulations.

By last summer they had brought about real violence and in several provinces the supporters of the Gang allegedly kidnapped or beat up senior officials. The fighting caused some factories to close for months and the steel industry was particularly affected. The latest charge, and the one which puts the manoeuvring after Chairman Mao's death into the most serious light, is that the Gang and its supporters issued large amounts of arms and ammunition to the militia in Shanghai, deployed their units, set up command posts, attempted to blow up bridges, and cut off water supplies, power, and communications with the outside world. None of this is intrinsically unlikely. The level of violence was certainly no higher than in the bloodier stages of the Cultural Revolution.

For several months last year China was—as Chairman Hua mentioned in his Tachai conference speech at Christmas—on the brink of civil war.

One example may typify the events of the late summer in many provinces. In Shangtung, a densely populated agricultural province that now holds promise as an offshore oil base, more than 40,000 people were killed or wounded in fighting between August and October last year, a Taiwan report alleges. This source would normally be very suspect, but since in January Shangtung's party boss made an officially reported mammoth speech in which he mentioned beating, smashing, looting, violations of law and order, attacks on party committees, bourgeois factionalism, internal fighting, and the serious and harmful effects of the Gang's intrigues, the story sounds convincing. A dozen or so provinces reported similar problems in equally guarded terms. Allowing for the fact that the official sources only permit one to see the tip of the iceberg, it is clear that for several months last year the country was indeed as Chairman Hua mentioned very briefly in his Tachai conference speech at Christmas, on the brink of civil war. The full effects of this on the economic and social fa... are only now becoming visib...

An unknown factor in ... equation is what real dam... the earthquake in July did ... Tangshan. It was more powe... and devastating than the re... Rumanian one, but the Chi... media have almost ignore... since last August. What di... do to the coal, steel, rail... machinery, and oven oil ... dustries? While there have b... reports of restored product... in the disturbed situation e... where in China it hardly se... possible that major reconst... tion could have been f... carried out.

This background must ... borne in mind when weigh... up events since last Octo... Chairman Hua had been ... power about three weeks wh... he summoned a national railw... meeting in Peking. That ... swiftly followed by a coal ra... and then in December by ... major conference on mecha... ing agriculture.

Since then further natio... coal and railway conferen... have been held, the plann... commission has met, a meeti... on saving petroleum has ... concluded. With the record ... disruption as it now stands ... last year these conferences, w... the possible exception of t... agricultural one, must have be... concerned with straightening o... what had gone wrong as mu... as with planning future growth.

Eruption

None of these problems can ... smoothed out overnight. Peki... is still faced with very lar... political difficulties in the pr... vinces. Half a-dozen provinci... radio stations still admit ... active opposition from the Gang ... supporters. The leadership ... in the midst of a provinci... reshuffle whose results one ca... not foresee. Official Chinese new... sources are conspicuously revea... ing more about past difficultie... than present ones. But the mor... details emerge about the turmo... last year, the likelier it seem... that the present situation is fa... from good. At the time, the ou... side world had no idea how clos... China was to an eruption las... September; anyone speculatin... along those lines, even with Ma... dying or dead, would have bee... thought alarmist.

The People's Daily's presa... calls to save fuel and food and ... fight the drought suggests th... the economy may be in a mu... worse state than is being spelle... out in detail.

هكذا من الأصل

French $2.7m. to promote Concorde

French Government has ...t more than $2.7m. in a U.S. ...paign to secure landing rights ... Concorde, two columnists said ...erday, quoting Justice Depart...t files, Renter reports from ...hington. The money was used ... legal moves, public relations ... political lobbying according ...yndicated Washington News...er columnists Robert Walters ... Martha Angle.

...ey said the records indicated ...e pyaments to law firms and ...lic relations companies whosc ...or officials included former ... politicians—aod friends of ...ticians—of both parties. The ...ish, meanwhile, spent a ...tively modest $100,000 to ...,000 on similar efforts, they ...d. The figures were turned ... by the columnists after a ...k of reports filed with the ...ice Department's foreign ...ts-registration section.

...hite House group ...ck from Vietnam

... White House delegation ...cing information on U.S. ...cemen missing in Vietnam ... Laos returned from south-east ...a yesterday and was reporting ...elephone to Mr. Jimmy Carter, ... U.S. President, UPI reports ...n Honolulu. In three days in ...oi, the commission received ... remains of 12 U.S. airmen ... in the Indochina war, got ...eement for a continuing hunt ... more of the 2,550 missing ...ericans, and opened the way ... a restoration of U.S.-Viet...nese diplomatic relations.

...nker break-up

...76-foot Panamanian tanker has ...ken in two in the Atlantic ...e 140 miles off the coast of ...th Carolina, the U.S. Coast ...rd said yesterday. AP-DJ re...s from Portsmouth, Virginia. ... tanker tentatively was identi... as the Claude Conway, built ... years ago in Japan. An oil ... was reported at the scene. ... the Coast Guard said it had ... information on its size.

...al hunt progress

... controversial seal hunt off ...thern Newfoundland is pro...ding at a faster rate than last ...r, despite the efforts of pro... groups to stem the slaughter ... pups, Reuter reports from ... Anthony, Newfoundland. ...adian and Norwegian ships ...e taken 50,688 pelts in the first ... days of the annual hunt, ...pared with 40,061 in the same ...iod last year, fisheries officials ...

...anley-Carter talks

...aican Prime Minister Michael ...ley and U.S. President Jimmy ...ter are likely to have their ...posed meeting in May, Foreign ...ister P. J. Patterson said ...terday, Canute James writes ...m Kingston. It has been ...orted that the meeting is ...ly to be held in Kingston, ...sing the possibility of Mr. ...ter visiting other countries in ... Caribbean.

Schmidt optimism on close relationship with Carter

BY DAVID BELL

WASHINGTON, March 21.

HERR HELMUT SCHMIDT, the West German Chancellor conceded in an interview to-day that there are some "irritations" in German-U.S. relations, but said that he is nevertheless optimistic about developing close relations with Mr. Jimmy Carter, the U.S. President.

In an interview with the New York Times correspondent in Bonn, Herr Schmidt said that he was sure that Mr. Carter "will inject fresh judgment into the international dialogue." He did not think the President's statements on human rights would endanger detente, but said West Germany had concentrated on private and "less explicit" approaches.

The Chancellor said that these had been successful and that "since the Final Act of the Helsinki conference in 1975, tens of thousands of people of German origin have been able to leave East European States legally and move to the Federal Republic of Germany. We do not want to endanger this process."

Dismissing any talk of a "crisis" in relations between the two nations the Chancellor said that "the President is right in his judgment that the nuclear non-proliferation treaty needs a new evaluation. Possibly there could be amendments, adjustments of supplementary agreements. I se the German-Brazilian treaty in this general light."

President Carter has been putting great pressure on the Germans to renegotiate part of their deal to supply advanced nuclear technology to Brazil, but so far the German Government has made no public concessions on this issue. It was not immediately clear if Herr Schmidt's remarks were intended as a signal that some compromise may be in the making.

Herr Schmidt was polite but firm in reiterating his determination to avoid any reflationary measure that would stimulate inflation in Germany, despite American pressure on the Germans to do more to help less healthy economies in Europe.

"It is a good bet that the Americans and the Germans are going to see eye to eye at the summit. It is of great importance that the President's economic programme succeeds.

"I am not going to comment on the situation in Italy, France and Britain, but generally speaking I do see possible linkages between high rates of inflation, social unrest and domestic political instability in general."

The Carter Administration continues to hope that Germany will take new measures to bring its balance of payments "more into equilibrium." But State Department officials concede that there is little they can do to persuade Herr Schmidt to change his mind.

UN test for U.S. Africa policy

BY OUR OWN CORRESPONDENT

UNITED NATIONS, March 21.

THE FIRST United Nations test of U.S. policy toward white-rule in southern Africa since Mr. Jimmy Carter became President will be made during the debate due to open in the Security Council to-night on "The Question of South Africa."

Mr. Carter's criticisms of human rights violations by a number of States have not yet been directed specifically at South Africa. But many diplomats expect the link soon will be made. To-day is the anniversary of the Sharpeville riots and is observed as a day of solidarity against racial discrimination.

Coincidentally, the Council chair is being occupied this month, for the first time, by the new chief U.S. delegate, Mr. Andrew Young, who has been called the most powerful black official in the United States because of his close friendship with Mr. Carter.

Since he came to the UN in January, Mr. Young has identified himself intimately with Africa's problems. One of his first tasks was to visit Africa for talks with many of the continent's leaders. Last week he is reported to have reprimanded the South African Ambassador, Mr. R. F. Botha, in a two-hour meeting in Washington, specifically demanding that Pretoria grant immediate independence to Namibia.

That issue is also expected to come up in the Security Council in June, possibly at meetings convened somewhere in Africa. Botswana and Mauritius have both been suggested.

Mr. Botha, who is to become his country's Foreign Minister next month, almost certainly will not take part in this week's Council debate. The South Africans have occasionally felt the need to respond to some of the harsher accusations made against them here, but generally they take the position that apartheid is a domestic matter and that, under its charter, the UN is barred even from discussing it.

The UN long ago decided that apartheid is a matter of human rights "sui generis" and therefore a legitimate concern of the world body, including the Security Council. African members have repeatedly tried to follow that up with a Council ruling that apartheid represents a threat to the peace—a prerequisite for the imposition of mandatory measures against South Africa — but so far unsuccessfully.

Britain, the United States and France have twice exercised triple vetoes to block the Council's adoption of a mandatory arms embargo, and once before that they had to exercise their right of veto to save South Africa from expulsion from the UN.

The arms embargo proposal will be revived this week. The question now is whether the U.S. still will oppose it, and, if not, whether Britain and France will cast their vetoes against the U.S.

Three other resolutions are also under discussion, including a recommendation to UN member states to hold back on investments in South Africa, and a condemnation of South African support for Rhodesia, which has been largely responsible for the relative failure of economic sanctions against the British colony.

Fukuda begins Washington visit

By David Bell

WASHINGTON, March 21.

MR. TAKEO FUKUDA, the Japanese Prime Minister, arrived in Washington to-day for two days of talks with Mr. Jimmy Carter, the U.S. President, and leading members of his Administration.

President Carter, who will hold a working dinner for Mr. Fukuda this evening, is expected to discuss the forthcoming economic summit with the Japanese Prime Minister and to press him once again to approve further measures to expand the Japanese economy. It is felt here that Japan and West Germany could, and should, do more to stimulate the world economy and to bring their balance of payments back into equilibrium.

Mr. Fukuda, whose arrival has been greeted with full-page newspaper advertisements attacking the Japanese television industry for allegedly flooding the U.S. market, may offer some form of voluntary restraint on colour television exports to take some heat out the situation.

Last week the U.S. International Trade Commission gave the President 60 days to consider a recommendation that sharply higher tariffs should be imposed on colour televisions and he will come under considerable pressure from the U.S. television industry, which placed this morning's advertisements to accede to the proposals.

The Japanese Premier told a U.S. news magazine before leaving Tokyo that he hoped to win assurances that the U.S. would continue to honour its security commitments in Asia in view of the President's declared intention to reduce the U.S. military involvement South Korea.

INVESTIGATIVE JOURNALISM IN ARIZONA

Phoenix falls flat

BY JAY PALMER IN NEW YORK

IN JUNE, 1976 Don Bolles, an investigative reporter working for the Arizona Republic, a Phoenix newspaper with immense influence in the state, was murdered by a radio-controlled bomb that blew up his car. He had been working on an expose of the alleged links between organised crime and the Arizona political establishment.

The killing inspired a project unique in American journalism —a joint investigation of crime and corruption in Arizona by an otherwise unaffiliated group of 36 journalists from 27 U.S. newspapers, magazines and TV stations. Last week, after six months of team effort, newspapers around the country began to publish the resulting 80,000 word series, in 23 parts.

Accused

The initial articles in the series, Arizona residents claim, contain very little that is new and to a great extent are poorly documented. The most newsworthy allegations involve Senator Barry Goldwater of Arizona and his brother Robert, who are accused of dominating Arizona politics for 30 years "while condoning the presence of organised crime through friendships and alliances with mob figures." The Goldwaters have denied the allegations.

From its very beginnings, however, "Project Phoenix," as it was dubbed, created a great deal of controversy not only among Arizona politicians but also among U.S. newspaper editors and publishers. Many of the participating newspapers, including the Arizona Republic itself, are refusing to publish the series and others, opposed from the start, are publicly criticising the whole idea of joint-investigatory journalism.

Project Phoenix was the brainchild of Investigative Reporters and Editors, a trade group set up when the Watergate scandal was encouraging general acclaim for investigative reporting. Its official aim was to provide educational services to reporters and "to maintain high professional and ethical standards in this (investigative) field."

Mr. Bolles, who had long specialised in investigative crime stories, was a founder member of IRE. He was killed only a few days before the group's long-planned first annual convention. At this convention, members in a highly emotional meeting voted to create a special task force to expose Arizona corruption and serve notice that "killing a reporter would not stop the Press from pursuing wrong-doers."

The group's aim was to gather enough evidence to prevent local law enforcement officials from ending all official investigation by the arrest of one hired killer. "We want to spark off a legislative investigation," one IRE official said, referring to the fact that Mr. Bolles' self-confessed killer (who is now awaiting sentencing) has implicated prominent businessmen who, he says, allegedly arranged the murder. "So far," he added, "none of those implicated has been arrested."

Even in its early days, Project Phoenix met with considerable criticism from within IRE's own ranks. "This is an over-emotional response which has overshadowed everything else," Mr. Len Downie, an IRE director and metropolitan editor of the Washington Post, said. "It looked like revenge—it was an ego trip and then there was the commercial aspect," he added.

However valid these objections, the cry for action did get immediate and considerable support not only from participating newspapers, which had to pick up expenses and pay their reporters' salaries, but also from individuals and organisations providing funds. While many of America's largest newspapers —including the New York Times, the Washington Post, the Los Angeles Times and the Wall Street Journal—refused to participate, many did, including Newsday, the Chicago Tribune, the Washington Star, the Milwaukee Journal and the Tulsa Tribune.

The most common criticism by editors of the joint investigation was that it could set a bad precedent for eliminating competion.

Editorials around the country also forced other, more down-to-earth, objections. Many editors doubted whether highly competitive and often arrogant and egotistical reporters could ever work efficiently and accurately as a unit. Some predicted serious problems with libel insurance cover if they published allegations without having direct access to documentary proof.

Now that the huge series of articles is actually ready for publication, ten of the 25 newspapers originally participating have refused to publish more than brief summaries. The reasons were best spelt out in a Chicago Tribune editorial.

Overwhelming

"I really have to wonder," this article noted, "whether our readers would regard 80,000 words on the state of Arizona as a real service when there are more urgent matters demanding attention in our backyard. Eighty thousand words of investigative reporting contains an overwhelming collection of facts, allegations, solid information, not-so-solid information and conclusions that need to be checked and re-checked."

The danger of publishing unchecked allegations is being offered as the official reason for the Arizona Republic's own decision not to run the story. However wise it may be on legal and political grounds, this has certainly been a mistake in terms of promoting circulation. Last week sales of the Republic dropped sharply while those of out-of-state newspapers carrying the series and flown in specially have sky-rocketed.

SEC proposes to change rules on investment

BY STEWART FLEMING

NEW YORK, March 21.

THE U.S. Securities and Exchange Commission (SEC) is proposing changes in its rules which would allow institutional investors, such as insurance companies and even banks, direct access to U.S. stock markets instead of having to deal through brokers and to pay commissions.

The rule changes, which are now open for public comment and face procedural barriers before they are likely to come into effect, reverse provisions of the 1975 amendments to the Securities Acts.

The issue of institutional investor membership of stock exchanges is not as controversial as it once was. This is because in May 1975 institutions were given the freedom to negotiate commission charges. Big institutional investors, such as insurance companies and bank trust department, have been able to reduce their stock brokerage commission costs by about 36 per cent. on average since then, making direct access to the stock market less important in strict financial terms.

The rule changes which the SEC is proposing would also remove the pressure on securities firms who are stockbrokers to sell off their fund management operations. The 1975 Act required that securities firms acting as brokers could not also be fund managers.

Under these rules, for example, Goldman Sachs, the U.S. investment banking company, spun off its fund management operation into a new company in which the U.K. merchant bank Kleinwort Benson has a stake.

The SEC proposals are designed to place all financial intermediaries on the same footing in order to create a system under which anybody who can qualify to become a broker dealer can have direct access to the stock exchanges.

The proposed new rules are hedged around with a range of restrictions designed to prevent conflicts of interest, such as giving an institutional fund manager an incentive to generate an excessive volume of transactions in order to gain commission revenues — known as "churning." They also propose restrictions which would aim to prevent firms giving themselves or their biggest customers preferential treatment.

So far there has been little reaction from the securities industry to the rule changes and it is pointed out that banking laws for example will in some cases prevent banks from getting direct access to stock markets, even though securities rules as proposed might allow it.

American Motors $23.9m. contract

DETROIT, March 21.

AMERICAN Motors Corp has said that its A.M. General Corp unit has received a contract to build 6,380 quarter-ton delivery vehicles for the U.S. postal service.

The company said that the contract is worth $23.9m. and includes an option for another 2,000 units which could bring the total value to $31.4m. Deliveries will start in the autumn, it added. Reuter

French in barter deal with Iran

Spie Batignolles, a French angineering concern, said it is negotiating e contract with Iran under the terms of which it will be paid in Iranian crude oil, AP-DJ reports from Paris. The French company will supply oil and gas pipelines aod will electrify the railroad between Teberan and the Gulf.

A letter of intent was signed several mooths ago, a company officiel said. He was unable to give any details of the amount of crude Spie-Batignolles would receive, but it is understood that several million tons ere involved. Industry sources said the Freoch compsny, a member of the Empain-Schnelder industrial group, la currenlty looking around for a buyer for the crude.

Mitsui Turkish offer

A group of three Mitsui companies bave ceceived a Y6bn. order from Turkey's Petkim Petrokimya for the export of a polyethylene plant with an annual capacity of 40,000 tonnes of low-density polyethylene which will be installed at a petrochemical industries complex now under construction in the suburbs of Izmir for completion in August, 1979.

Linde Norwegian deal

Linde said it bas ceceived a contract to build a polyethylene plant in Norway with an annual capacity of 40,000 tons, but declined to give the value of the contract. The order is from I. S. Norpolefin, a joint unit of Statoil, Norsk Hydro snd Saga Petrokjemi A.S. The plant, is to come on stream in 1979.

Beirut port study

A team of British experts from Pest, Marwick, Mitchell have arrived in the Lebebon to begin s two-month study of the problems facing Belrut Port, which was badly affected by the 19-month civil war. The team is to undertake a two-pronged study of the port's problems, funded by a grant of around £50,000 from the British Government's ald fund.

EEC imposes new curbs on Indian shirt imports

BY RHYS DAVID, TEXTILES CORRESPONDENT

NEW LIMITATIONS on imports of Indian men's and women's shirts and blouses are to he imposed by EEC countries, including the U.K., following a rapid surge in arrivals last year and in the eerly months of 1977.

Under new measures invoked by the EEC, tntal imports of Indian shirts wil be held at 5.45m. units this year compared with 7.6m. io 1976 and 2.8m. in 1975. Women's blouses, where imports increased from 4.4m. in 1975 to 11m. last year, will be held at 7.4m. this year.

The oew measures have been imposed by the EEC following a breakdown in discussions lasting several months. According to the shirt industry in Britain and in other European countries the Indian shirts will be held at loophole in existing quota arrangements to exceed by a substantial margin agreed import levels. The loophole has been the exclusion from restrictions of so-called hand-loom gooda have been allowed in as eraft products.

The oew errangements put hand-loom goods, some of which show clear signs of being factory-produced according to the European industry, under quota for the first time, but the bulk of imports will continne to be in this category. Handloom products account for 6.6m. of the 7.4m. quota for women's blouses and 4.7m. of the 5.45m. quota for men's shirts.

U.K. Men's Woven Shirt Market 1976

Supplier	Units	%
Hong Kong	23.4m.	36
U.K.	21.0m.	30
India	7.6m.	11
Sonth Korea	2.2m	3
Others	13.8m.	20
Total	70m.	100

The move, which the EEC says has been introduced following the unsstisfactory operetion of the EEC-India bilateral restrictions agreement, was welcomed yesterday by U.K. Shirt Manufacturers Federation. "Tha escalating volume of Indian shirt imports was posing a very serious threat to the British industry which already suffers a 70 per cent. penetration of the domestic market by cheap imports," Mr. Garth Smith, the federation's chairman said.

As a result of the naw restrictions, which were foreshadowed in the Commons textiles debate last month existing surveillance licensing has been revokad with immediate effect and future imports will reqnire full licences.

Koyo Seiko starts bearings production in Singapore

BY H. F. LEE

SINGAPORE, March 21.

THE LEADING Jeoanese bearing and machinary manufacturer, Koyo Seiko and Koyo International group, bas opened an $Sing18m. plant in Singepoce to msnufacture precision bearings and sewing machines mainly for the ASEAN market

Known as Koyo Industries Singepore, the plant, is however, only the first phase of its three-stage plan for Singapore covering a perlod of three years. The second phase involves a $Sing15m. expansion of the plant to include the production of either motor components or electrooic industrial devices, while the final stage, costing $Sing12m., involves the manufacture of machine tools.

Koyo's prasident, Mr. Iwao Keda, who flew in from Japan for the npening said that as much as 80 per cent. of the products will be for the ASEAN market, while the cemeining 20 per cent. will be retained in Singapore to meat local needs. The plant will initially produce 10m. units of precision bearings a year. This will, bowever, be increased to 26m. units in three years' time.

Koyo Industries Singapore bas been granted a five-year pioneer status which enables it to enjoy certain tax benefits and a three-year export promotion certificata by Singapore's Economic Development Board.

Indonesia cuts oil sales

JAKARTA, March 21.

INDONESIA WILL cut oil exports to Japen and the U.S. this year, eccording to Mr. Piet Harjono, beed of the state-owned oil company, Pertamina.

"We bave to cut the axport of crude oils to Japan and the U.S. this year because of growing domestic consumption," he said after talks with Presidaot Suharto.

Mr. Harjono would not say bow much the cut would be, but said both Japan end the U.S. bave been informed.

Reuter

Limited scope for Rouble

By David Lascelles

THE SOVIET bloc's new regulations to encourage use of its collective currency—the Transferable Rouble—outside the bloc are "unsensational" and unlikely to cause more than a ripple in Western financial circles, according to a UN specialist on Comecon affairs.

Writing in the latest issue of International Currency Review, Dr. Jozef van Brabant says that the Transferable Rouble will hold little appeal to Westerners unless its convertibility into currencies or commodities is guaranteed—and this has yet to happen.

Anyone using Transferable Roubles, he believes, would also have to negotiate multilateral arrangements with all Comecon members to cover transactions over a particular period—and this would be virtually impossible.

Dr. van Brabant notes that nn non-Comecon bank or trader has yet availed itself of the chance tn use TRs—even obvious candidates like Yugoslavia.

The emergence of e Euro-rouble market is theoretically possible if the TR catches on, Dr. van Brabant believes. But because of the restricted access to Comecon markets, discounting would be very large, prohibitive even.

And although the naw TR regulations have some attractions—like better interest rates for non-Comecon holders of TRs—there are still unsolved problems which baffle even highly placed East Europeans, Dr. van Brabant says.

Shoes for Soviets

TWO NORWICH shoe factories heve received export orders estimated at around £2m from the Soviet Union for over 225,000 pairs of women's fashion snoes. The CWS factory is to produce 100,000 pairs, and K. Shoes will provide the rest. It follows a 2¼m. order also from Russia for fashion boots which are being mede by Norvic.

BRAZIL'S MOTOR INDUSTRY

Signs of wear and tear

BY SUE BRANFORD IN SAO PAULO

AFTER THREE years in which Brazil's motor industry manfully fought off the effects of the world oil crisis, the sector is finally showing serious signs of wear and rear. Ironically the worst-hit companies, General Motors and Ford, are facing difficulties at a time when the parent companies in the U.S. are experiencing a etrong sales recovery.

Sales on the Brazilian motor market fell to 128,140 vehicles during January and February of this year, which is 14 per cent. less than during the same period of last year. As output dropped by only 4 per cent., to 143,841, the industry accumulated excessively high stocks, of about 35,000 vehicles.

Abont 2,500 workers at the assembly plants have been sacked es the menufscturers began to trim their prodnction to this new sales reality. General Motors now forsees a cut of at least 20 per cent. in its car production and 8 par cent. in its lorry prodnction this year. It has sacked 1,000 of its 21,000 workers. Last year General Motors produced 181,144 vehicles, 18 per cent. of Brazil's total ontput of 985,469. It is unlikely that it will maintain this share of production in 1977.

Ford is faring little better. Over a 1,000 of its 22,000 workers have been sacked since the beginning of the year. In a recent visit to Brazil, the president of Ford world-wide, Mr. Lee A. Iacocca, admitted that his company was losing $250 on each car it manufactured in Brazil. Last year Ford ranked third among the country's ten motor menufecturers, with production of 171,931 vehicles.

General Motors and Ford, which both manufacture medium-sized and large passenger cars and lorries run on petrol (es well as diesel), hsve been badly-hit by the Brazilian Government's recent measures to restrict petrol consumption. When the scheme comes into effect later this month, Brazil's petrol—at £1.73 per gallon of low-octane—will be among the most expensive in tha world. The motor manufacturers have also protested against the strict Government control over final retail prices which, they claim, has unfairly prevented them from passing on cost increases to the consumer.

Volkswagen, which is still the giant of the sector with ... cent. of total output las... is facing fewer problems... have been no reports of... scale sackings among its... strong work-force, althou... company has admitted th... considering a five-day c... holiday to reduce its stoc... mainstay of VW's pro... line is still the eco... 1300 cc "Beetle." To d... its dependency on the d... market, VW has boosted ... which were worth $155... 1976. VW also imports... than any other private ... in Brazil, spending ... abroad last year, mainly ... plates, aluminium, mag... end machinery and equip...

VW's biggest threat ... from the newcomer, Fiat... still maintains that it i... ning to manufacture 120,0... this year. Fiet is prod... single model — the Fiat... which, although expensive ... at £2,240 is cheap to run. ... the appeal of novelty, b... Fiet's goal of gobbling ... per cent. share of total ... put in its first full year of... tions seems unrealistical... mistic, given tha present... of the market.

Japanese component buyers seek supplies for third market

BY HENRY SCOTT STOKES

PARIS, March

THE STRATEGY of the Japanese motor components buying mission which arrived in Britain this week-end for a three-week stay is in part to purchase components for third countries, a spokesman said here before leaving for London.

The aim was to buy parts from companies such as GKN, Lucas and Associated Engineering and others for use in assembly operations not only in Japan but tn such places es South-East Asia, Latin America and possibly, later, the U.S.

The 14-man mission, which is led by Mr. Maseo Nemoto, a managing director of Toyota Motor, would also seek to maka purchsses for the competitive Japanese market but the price factor would be important there. Japanese car manufacturers would like to buy directly from Britain for Japan in order to alleviate the "gross imbalance of trade" in the car indnstry but this was "not the sole solution to our bilateral difficulties," he said.

There is little doubt that the Japanese see greater prospects of action in Britain than in France in the field of car components. The Japanese, who represent the top seven car companies, will spend twice as long in the U.K. as hece.

In France the Japsnese visited Michelin, among many other companies during their 10-day visit and said they would like to buy saloon car tyres from Michelin for use in South-East Asian assembly operations and elsewhere but have been asked for prices up to "30 per cent. higher" than those prevailing in Japan itself. The option left open to Japan—which seeks to make a "political" gesture to French industry—was to bargain down Michelin prices and to purchase these tyres mainly for third countries.

The talks with Michelin, ... hsve not leod to a final ... ment, illustrate both the ... nese manufacturers' ... strategy, and there keen... make concessions to Eu... critics who say that the ... shut out of the Japanese m...

With the background o... mission's activity in Fra... could be "fairly sure"... Japanese efforts to b... Britain will result in con... the spokesman said. Som... had to be done quickly ... European criticisms of Jap...

This reaction indicates ... the Japanese car industry ... cerned about its futur... Europe, where it sold ... cars last year. The questi... however, whether Japanese ... chases will be to a great d... "political" and limited in ... —or whether they will ... major importance to the ... components industry, whic... ported nearly $3bn. wort... parts last year.

New lorry charges for Bulgar...

BY METIN MUNIR

ANKARA, March

BULGARIA, the only country whose TIR lorries have not been paying transit dnes in Turkey, will sooo be deprived of this privilege by Ankara, according to diplomatic sources said here. When this happens Bulgarian trucking companies will lose their considerable advantage over others.

Turkey has handed Bulgaria a Note informing it that starting from April 12 its TIR lorries will be required to pay cash transit dues at Turkish borders.

The Note also invited the Bulgarians for talks in Ankara in negotiate for the payment of dues accrued in the intarval when no payment was being made. The sources said that Bulgaria owed Turkey 400m. Turkish lirs ($23m.) in fees registered at the border but not collected since June 1976.

Informing Sofia that the current situation constituted en unfair discrimination agaiost States whose lorries have been paying the dues, the Note elso invited Bulgaria for negotiations in Ankara on a highway agreement.

In December, 1975 Turkey announced a new system levying transit dues on international lorries shuttling through Turkey between Europe and tha Middle East. The news was greeted with universal dissatisfactioo by trucking companies, European manufacturers doing business with the oil rich conntries east of Turkey and the receiving States. Ankara said that the fees would be utilised for the maintenance and repair of highways used by TIR lorries.

Last year all states but Bulgaria and Iran whose lorries use Turkish roads signed a... ments with Turkey acceptin... new system. These two ... imporient exceptions. Mo... the transit traffic through Tu... is directed to or originates ... Iran and most of the transp... tion is being done by Bulga... lorries.

Ankara, fearing retalia... against thousands of Tu... workers who trevel thr... Bulgaria to oad back from ... in Europe, agreed to charge ... not to collect fees ... Bulgarian lorries.

This made transportation ... Bulgarian lorries much che... compared with other Euro... trucking companies which ... sidered the competition un... Complaints were lodged with ... Turkish foreign ministry, m... of them coming from Fra... West Germany and Britain.

هكذا من الأصل

HOME NEWS

Foster Wheeler to build £90m. ICI Wilton plant

BY RHYS DAVID, TEXTILES CORRESPONDENT

FOSTER WHEELER, the ...-based process engineering contractor, is to carry out design, engineering and procurement work for ICI's new ... pure terephthalic acid plant at Wilton-on-Tees.

... plant, ICI's biggest single investment, was announced ... the company earlier this ... It will produce a total ...000 tonnes a year of PTA, ... intermediate used in the ...tion of polyester fibres ...

...ester

... is stepping up its investment in PTA despite the severe ...capacity in polyester fibre ...rope and the U.S., partly ... of the expected con... growth in world-wide ...d.

... Rowland Wright, ICI's ...man, pointed out recently ... world polyester consumption had increased every year ...ing the last two depressed years. "The long term ... shows this will go on for ... decade," he claimed.

... other reason for ICI's move ... PTA has become the preferred intermediate for polyester fibre production, displacing the alternative material dimethylterephthalate (DMT) on cost grounds. According to ICI, which is the second biggest world supplier of PTA, some 30 per cent. of the world's polyester fibre production now uses PTA. In Europe, it claims, a continuing switch is taking place away from DMT.

Employment

Over half the output of the new plant, which will more than double ICI's PTA capacity at Wilton, will go for export. Work is due to begin later this year and completion is scheduled for the third quarter of 1980.

ICI reckons the project will provide 1,000 construction jobs and 100 permanent jobs. Some 90 per cent. of the orders for equipment required will be placed in the U.K. assuring employment for at least 1,000 more people, ICI believes.

Foster Wheeler also handled ICI's previous PTA unit at Wilton, and this will be the sixth plant manufacturing the material constructed by the organisation around the world. The new plant will use an Amoco process.

Lakeland invites callers

A CAMPAIGN is being mounted to encourage tourists going ... on the M6 to spend a few ... in the Lake District en ... and make the most of ... time in the area.

It is being organised by the Cumbria Tourist Board in response to requests from Lake District hoteliers and businessmen, who feel that sufficient attention has not yet been paid to those who could or do travel through. More people, they think, would pause in the Lake District if they knew how best to use just a few hours.

SILVER JUBILEE STRIKES UP THE BAND

George Benjamin (above), 17-year-old pupil at Westminster School in London, conducts a brass band in a march he composed himself.

He was chosen from five young finalists at the Royal Festival Hall as the winner of a nationwide contest for a Royal Silver Jubilee Fanfare and March. There were more than 80 entries.

The competition was sponsored by the Co-op and organised in association with the National School Brass Band Association.

Plans for the winning entry include television and radio performances at a number of Silver Jubilee music festivals throughout the country. It is hoped to perform the piece before the Queen during her visit to Glasgow in May.

Life companies need at least £1m. capital

BY ERIC SHORT

THE MINIMUM paid-up share capital of a life company should be at least £1m. if solvency is to be guaranteed, Mr. A. C. Baker, chief actuary and life manager of the Royal Insurance Group, and Mr. N. S. Graham, an actuary with Royal Insurance, said in a joint paper on life company solvency presented last night to the Faculty of Actuaries in Edinburgh.

The present minimum £100,000 laid down in the Insurance Companies Act, 1974, was woefully inadequate in present conditions.

For newly formed companies expenses constituted the most potent factor. A life company had to incur high initial expenses that took several years to recover, and this new business strain constituted a serious risk for a rapidly expanding company.

The authors concluded that the capital base of a life company should not be less than 10 per cent. of its liabilities, with the suggested absolute level of £1m. Had such provisions been in force over the past few years, no life company would have gone insolvent they pointed out.

Control exercised by the authorities over life companies should concentrate on ascertaining those companies about which further investigation should be made rather than trying to find an absolute measure of solvency. A test could be devised that would give clear warning in those cases where companies experienced financial trouble.

Film producer faces petition for bankruptcy

A BANKRUPTCY petition has been filed against Mr. Harry Saltzman, the James Bond film producer, of Woodlands Park Estate, Iver Heath, Bucks. The petition is based on a claim for $529,917 and was presented last Thursday by Mr. Marcella Danon, a film producer, of Avenue Kleber, Paris.

● NEWS ANALYSIS—INSURANCE AND EEC

Slow process towards a unified policy

BY ERIC SHORT

EEC FINANCE MINISTERS have accepted a U.K. proposal aimed at speeding up negotiation of directives in the insurance field, a move behind which lies a saga of frustrated hopes and ambitions for the implementation of a Common Market in insurance.

When the U.K. joined the EEC there was considerable uneasiness in certain quarters over the effect of its insurance harmonisation. The sceptics pointed out that insurance operations in Britain and in Continental countries were virtually incompatible.

Insurers in the U.K. had considerable freedom of operation compared with other EEC countries subject to rigid Government control, and it was felt that harmonisation would not be possible unless the U.K. moved a long way towards curtailing this.

Harmonisation

The warm welcome given to U.K. insurance representatives at entry silenced the critics and doubters, at least temporarily. Continental insurers seemed eager to accept the chance to break away from a rigidly controlled system into one where insurers had freedom of operation. Conditions looked favourable for quick implementation—by Common Market standards—of insurance harmonisation.

However, as time passed, these good intentions became bogged down in a morass of negotiating detail. It became obvious that some EEC countries were not willing to part from their protectionist system and open their doors to insurers from other EEC countries.

For example, when the world marine insurance market ran into problems, some countries—notably West Germany and France—put up the barriers and imposed even more restrictive conditions on placing marine insurance.

Now the British Government and the U.K. insurance world is becoming increasingly concerned over the lack of progress in this field. An EEC general programme had provided for negotiation of a series of directives to implement a Common Market in insurance by the end of 1969—long before Britain joined the EEC.

To date only directives covering freedom of establishment and services for re-insurers, motor vehicle liability and freedom of establishment for non-life insurers have been implemented.

Re-insurance and motor vehicle liability require an international approach these days, with big risks and freedom of travel. So it is perhaps not surprising that these directives have been implemented. Freedom of establishment for non-life insurers, which means in theory U.K. insurance companies can set up branches in any EEC country, is only a start.

Insurers are finding that practical difficulties remain to be overcome and Lloyd's of London, for example, is still prevented from operating in other EEC countries, since that unique insurance organisation does not have branches.

London has always been a world insurance centre, but U.K. insurers' earnings from the EEC are proportionately low in relation to those from the rest of the world. In 1975, net premium earnings from fire and accident business amounted to £2.7bn. worldwide. But only £300m. of this came from elsewhere in the EEC. These figures show just how tight are the restrictions imposed by some EEC countries, keeping insurance business confined within those countries.

This *really* sums up the difference between insurance in the U.K. and in other EEC countries. British insurers have always operated on a world-wide basis not only in seeking business but in placing the risk. Insurance in Continental countries by contrast has always been regarded as a local industry, satisfying local needs and not operated beyond national frontiers.

Large risks

Yet under present conditions, the need is for a very large insurance market world-wide to provide the capacity needed to insure the very large risks that are now resulting from modern technological developments. The British Government is busy promoting the view — long held by British insurers — that a stronger internal EEC insurance market would benefit the EEC balance of payments and provide more effective competition to the U.S. and Japanese insurance markets.

It is endeavouring to influence other governments to negotiate reciprocal agreements with the EEC which would produce more liberal insurance regimes on a wider basis.

The Council of EEC Finance Ministers has now instructed the working parties dealing with the *important outstanding directives* covering sale of non-life insurance on a service basis and life insurance on an establishment basis to aim substantially to complete their work within 12 months. It is intended that ministers should reconsider the position in March, 1978 to ensure that satisfactory progress has been made.

However, this will involve breaking down some very rigid traditional barriers and overcoming some very entrenched positions.

APPOINTMENTS

Alcan Group senior posts

Mr. D. A. Pinn, while remaining managing director of Alcan Aluminium (U.K.), will from May 1 become managing director of the subsidiary, ALCAN BOOTH INDUSTRIES, as well as remaining chairman of that company. This follows the appointment of Mr. David Morton as vice-president, corporate planning, of Alcan Aluminium.

*

The ... CENTRE FOR FORE... has appointed Mr. ...el Shanks as part-time chairman of its executive directors' committee. Mr. Shanks, a former director-general for social affairs in the European Commission, is a director of BOC International, Geo. Bassett (Holdings), the Royal Ordnance Factories Board, and Environmental Resources.

*

Mr. A. M. M. Hodges has been appointed vice-president and general manager of the aviation division of Smiths Industries Inc., the North American subsidiary of SMITH INDUSTRIES. The new director and general manager of the avionics, engine and fuel management systems factory of the aviation division will be Mr. R. F. Keens, who assumes full responsibility for the Basingstoke site from April 1. Mr. Keens became general manager at the Linkula factory of Smith Industries in Birmingham in 1971, and in 1972 was made a divisional director of the company.

*

Mr. H. A. Wingrove, chairman of the machine tool merchanting division of B. ELLIOTT AND CO., has been appointed deputy chairman of the group.

*

Mr. M. L. Pearce has been appointed managing director of GERRARD AND NATIONAL (FUND MANAGEMENT) from April 6. Mr. Pearce was previously a director and investment manager of the Royal London Mutual Insurance Society.

*

Mr. Michael Arram has been appointed chairman of B. A. SECURITY SYSTEMS following the absorption of that company by Inertia Switch, of which Mr. Arram is chairman. Mr. John E. Forbat, managing director of Inertia Switch, has also become a director.

*

Mr. A. W. Collins has been made managing director of AOT Engineers, and Mr. B. J. Wheeler has been appointed director and general manager of AOT Valves. Both are subsidiaries of NATIONAL CARBONISING COMPANY.

*

Mr. Dennis Staples has been appointed managing director of THOMAS H. SNUGGS AND CO. Mr. Staples was formerly with CPC (U.K.).

*

Mr. Allan Grant will retire from the post of managing director, ECCLESIASTICAL INSURANCE OFFICE, on June 30, after 48 years with the company, but will continue as chairman of the Board.

*

BOOTS COMPANY. Mr. B. H. C. Theobald has been appointed to the Board of the subsidiary Boots The Chemists. Mr. D. R. Knight has joined the Board of Boots Farm Sales.

*

Mr. John Calvert has been appointed to the Board of TRIPLEX SAFETY GLASS COMPANY.

*

Mr. G. J. H. Rainey will resign his directorships of Delta Enfield Cables (Holdings) and its subsidiaries on April 1, when he transfers to the DELTA METAL COMPANY as financial controller on that date. At the same time Mr. R. H. Ludwick, Mr. A. M. Morgan and Mr. T. H. Neal join the Board of Delta Enfield Cables (Holdings), and Mr. H. A. Lee becomes a director of Delta Enfield Cables.

*

Miss Joan Bayley has been appointed assistant branch manager at the Birmingham branch of the GENERAL ACCIDENT FIRE AND LIFE ASSURANCE CORPORATION. She is the first woman within the company's U.K. organisation to hold that position.

*

Mr. Basil Watkins, works director of Hellwells has been elected national chairman of the INSTITUTION OF WORKS MANAGERS.

*

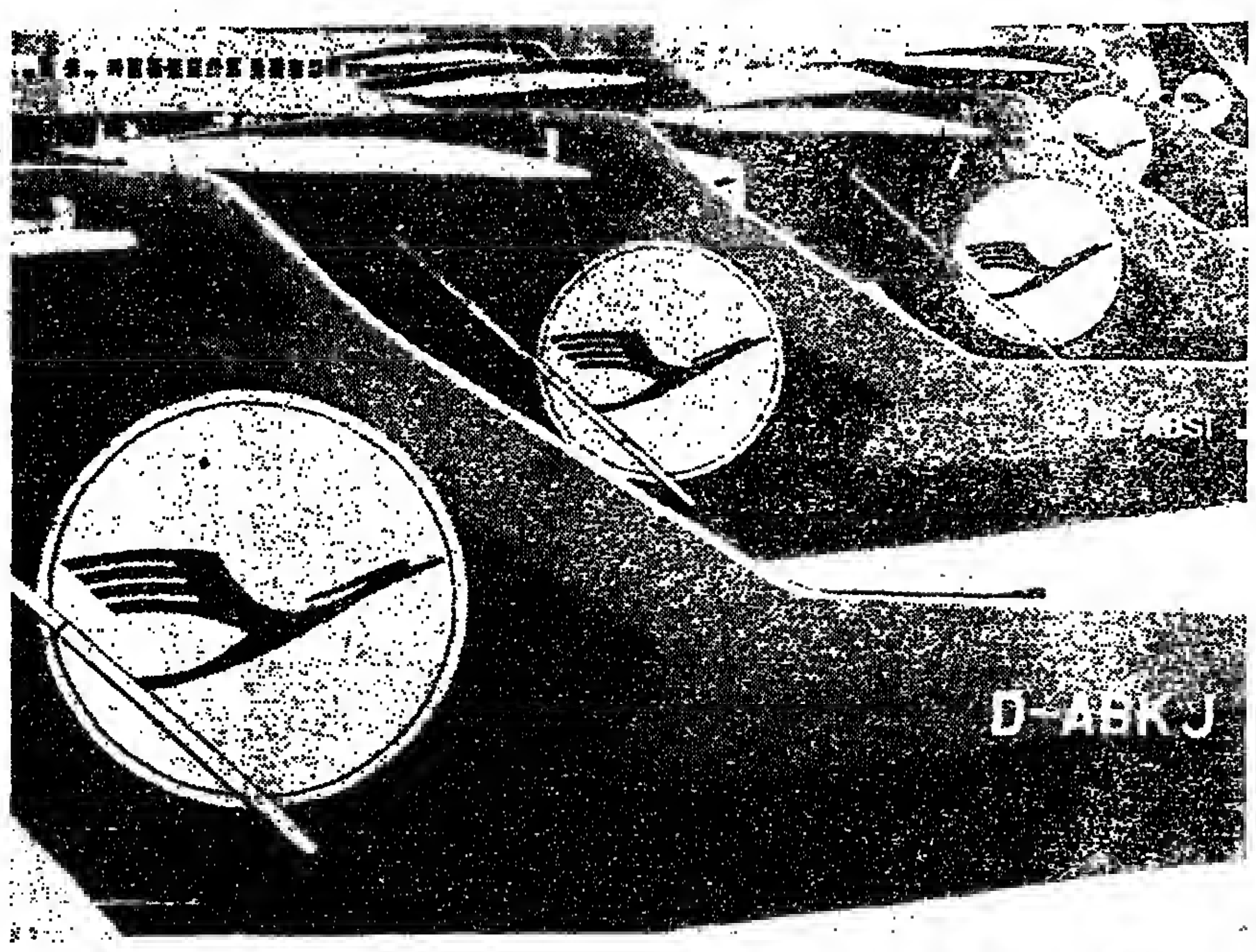
Mr. R. Kite has been appointed an executive director of Stenhouse Reed Shaw Marketing. Mr. J. L. Pickering, Mr. A. M. Saunders and Mr. J. P. Wade have become associate directors of Sir William Garthwaite (Insurance). Both companies are members of the STENHOUSE REED SHAW GROUP.

*

Mr. James W. Findlay, an investment manager of Prudential Assurance has been appointed to the Board of ENGLISH AND INTERNATIONAL TRUST, which is managed by Drayton Montagu Portfolio Management.

*

Mr. E. C. Sayers, chairman of Duport has been appointed to the ADVISORY COUNCIL OF ENERGY CONSERVATION of the Department of Energy.



Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● PROCESSING

Speeds reactions and cuts costs

IN CONJUNCTION with Professor Martin Fleischmann and Doctor Robert Jansson of the Department of Chemistry at Southampton University, Totton Electrical Sales has developed a new electrochemical pump cell.

The basic concept of electrochemical cells is simple, it being to produce chemicals by electrolysis. Under well-defined conditions the electrochemical route can be more selective and have better energy yield than more conventional chemistry.

In existing cells, the electrolyte/reactant mixture is forced between parallel electrode plates by an external pump. The new device — the electrochemical pump cell—contains a rotating plate with a fixed plate on each side, producing a fierce mixing effect, increased efficiency and is self-pumping.

Totton's motors are matched to this application since they incorporate a magnetic drive, which is glandless, the cell being isolated. The cell is made from inert materials and can be used for a wide range of reactions.

The basic advantage to be gained from the new rotary cells is one of cost saving. They will produce high yields of reactive intermediates from which a range of organic products can be made. A further major advantage is the controllable nature of the reactions which results in less unwanted co-products being produced and a saving in the time and cost involved in subsequent separation procedures. Because the cells do not have a shaft seal and are constructed from materials which do not corrode, many aggressive or toxic chemicals can be used safely.

Results obtained experimentally using the new cell are representative of much larger and more costly pilot plant operations and it will be of value to those using high cost reagents, perhaps in speculative situations, where economy of use is important.

A similar cell has been used to recover metals from metal solutions at effluent concentrations. This application would find a useful outlet in the electroplating or etching industries.

Enquiries concerning the cell should be addressed to John Grindley, Totton Electrical Sales, Cadnam, Hampshire.

● SECURITY

X-ray eye is film-safe

LAUNCHED in the U.K. after several months' successful operation in the U.S.—where it is claimed to have virtually eliminated aircraft hi-jackings—is a compact readily transportable low-dose X-ray machine for checking hand-luggage, parcels and other items up to a maximum size of 610 x 560 x 300 cm.

The equipment measures 1380 x 910 x 850 mm, weighs only 200 kg., and is mounted on castors so that it can readily be moved from site to site. Operation consists of simply pushing the item into a cavity, closing a sliding door and pressing a button. The image is viewed through a postcard-sized aperture at top right of the cabinet and eye position is not critical.

Main achievement in the Dynafluor 10 is the incorporation of previously "military-only" three stage image intensifier of 150,000 gain, allowing the X-ray intensity used to be reduced to the level at which film will not be fogged after five exposures. This is about one two-hundredth of the dosage associated with many machines in use, yet after light amplification the image is 100 times brighter.

The bright image is also of high definition—it is possible to distinguish 24 gauge wire for example—and it cannot be seen by the owner. Up to 400 items an hour can be checked, with relatively little fatigue for the operator. More from Pye Dynamics, 459, Park Avenue, Bushey, Herts WD2 2BW (Watford 28566).

● By agreement between the Financial Times and the BBC, information from The Technical Page is available for use by the Corporation's External Services as source material for its overseas broadcasts.

THAT some very real advantages can be derived from the use of computer hardware monitoring equipment became apparent at the first conference of the newly-formed Tesdata Users Group in Manchester recently.

● DATA PROCESSING

Watch over the hardware

Basically this equipment measures activity times for the various units in the system, maps memory location usage and gives real-time displays, plus printed reports.

But its use is still not widespread. Tesdata, which specialises in its manufacture and application recently commissioned a survey which showed that there are about 1500 sites in western Europe having installations of 370/158 size and above: 250 of them are in the U.K. and Tesdata has equipped about 25. It claims to have captured 85 per cent. of this currently small market penetration.

The vast majority of Europe's computer centres either use rudimentary monitoring of their own, rely on whatever might be provided by the mainframe maker, or do not assess hardware performance at all.

According to Tesdata they are "throwing away" many millions of pounds, a claim borne out by some of the comments made at the conference.

Barclays Bank for example, which operates 4000 terminals, three computer centres, and processes 4m. items each day has three 3 Mbyte 168's on branch accounting alone. Development head, Frank Hooper, clearly senses the danger of acquiring more hardware either too soon or with no good reason at all. He was quite frank in stating that he has had to wait months for IBM monitoring which then took place "in secret" with analysis away from the site and with the conclusion that he needed another Megabyte of store.

Hooper reckons to have saved over £1m. using Tesdata monitoring in 1975 alone and cited the example of a disc controller to which eight drives are normally allocated. His own six-man performance monitoring team discovered that 16 could be connected in the circumstances that prevailed: £150,000 was saved—twice the cost of the hardware monitor.

In another area his team looked at a buffering problem, put in some new software and was able to produce a 12½ per cent. rise in throughput—one hour in eight saved. In the Barclaycard operation it became possible, by uncovering a queueing problem, to reduce the credit authorisation response time from 20 to 2½ seconds.

Very similar experiences, in California, were related by Bank of America's performance measurement manager Dick Arnold. The bank has 18 IBM machines and Arnold quickly made the point that a 10 per cent. improvement in performance "could put one CPU out of the door." By using independent monitoring he had recently been able to defer the acquisition of two 168's for six months whereas previously decisions were being based only on "gut feelings" about performance.

The bank has two of Tesdata's bigger MS88 monitors and is about to acquire a third. Arnold pinpointed day-to-day benefits as ability to see things changing immediately on electronic bar charts and frequent print-outs, to produce reports for management in "boiled down" terms, and to rely on fresher and more accurate information.

Another very large user, the Post Office, has had an MS 38 since May 1976 and until February next year will be looking systematically at all the corporation's machines, which range from some now elderly Leo 326s to ICL, Burroughs and IBM units. The machines grapple, among many other things, with 30m. telephone bills and 15m. television licences. A main objective will be to pull together the many performance approaches now existing into a single standard.

Tesdata emphasised during the meeting that such large organisations as these are not unique in generating benefits—the single machine operation could be just as open to improvement.

In terms of its own business however the company is cut both ways by the present U.K. economic situation: the pressing need to cut costs in DP would indicate monitoring on the one hand, while on the other the cost of the monitor itself has to be justified.

But this might be only a minor problem in the next year or two: the company goes public in the U.S. next month and the resulting public disclosures demanded by the Securities Exchange Commission could cause competition—currently minimal—to loom larger. More on 01-903 6355.

GEOFFREY CHARLISH

● PERIPHERALS

Fixed head discs

TWO MAJOR groups, Univac and Itel, have announced equipment which competes directly with the IBM fixed head disc systems. Univac was first with the announcement that its ISS division had acquired design, manufacturing and marketing rights to a disc memory system from National Micronetics of San Diego.

This acquisition also covers certain manufacturing and inventory assets.

Series 2,500 has capabilities from 4.8 to 51.2m. bits of storage. It is being offered now on the OEM market.

The Itel release in Europe is of its 7350 disc sub-system, also a fixed head design, compatible with the IBM 3350 but claimed to have faster access times. It is available in 100 Mbyte, 200 Mbyte and 317.5 Mbytes capacities.

Univac on 01-387 0911 and Itel on 01-636 3152.

● REPROGRAPHICS

Multi-role plain paper copier

AN AUTOMATIC desk-top plain paper copier has been introduced by 3M, which claims the machine is capable of more functions than the majority of copiers on the market.

In addition to making excellent copies on both sides of most papers, including colour stock, this machine also produces transparencies for overhead projectors, litho masters, and will copy on label stock and letterheads.

Called the Secretary II, its maximum copy size is B4 (10⅛ x 14⅜ in.) and minimum A5 (5⅞ x 8¼ in.). It is designed to satisfy copy demands of between 2000 and 5000 per month. The dry copy process is by indirect electrostatic photography via a selenium drum.

Originals to be copied are placed on a moving platen, and this has enabled the machine to be kept to a compact 24 x 21 x 15 inches high.

Cost of the machine is £2,765, and the maker is not operating a hire scheme. Cost per copy is estimated to be 1.55p, plus the cost of paper and electricity. The copy cost includes an optional service contract of 1.1p/copy which covers the cost of consumables. The selenium drum is said to produce about 40,000 copies before a replacement is required (£140).

3M United Kingdom, which is at Wigmore Street, London W1A 1ET (01-486 55221), has also introduced a small (15¾ x 17½ x 8 in.) dry copier which uses the dual-spectrum method. This means the copy paper must be supplied by 3M. It is intended for the senior executive who wants a personal copier for limited runs of A4 or foolscap size documents. It costs £185, and is designated Model 157S.

● DESIGN

Drawing by computer

ENGINEERING DRAWING, town planning, and warehouse layouts are some of the applications for the AD3 80 computer graphics system developed by the Auto-trol Corp., Denver, U.S.

Draughtsmen can increase their rate of drawing production by up to 40 times, although the usual improvement is around eightfold. The system stores symbols and sections of drawings groups of components, etc., which can be re-used at any time. Components and drawings can also be scaled, rotated and re-positioned.

The AD 380 is based on a Varian V70 processor, with a basic 64K words of semi-conductor memory. This mini-computer can cope with non-related tasks (such as preparing a numerical control tape for a machine tool) while drawing production is in progress.

Drawings are created using digitiser/draughting stations and visual display units by keyboard commands and cursor movements. The final drawing is produced on a flat bed plotter.

The equipment is marketed and serviced in the U.K. by Davy Computing, 2 Clarence Lane, Sheffield S3 7UZ (0742 71201), a Davy International Company. Price for a complete system, with two terminals, is £140,000.

● COMPONENTS

High-power magnets

FOLLOWING the installation of specialised plant at its Swindon factory Preformations is able to supply "Supermagloy" samarium cobalt rare earth magnets and magnetic assemblies.

The company claims to be the only U.K. source of this high-energy material.

Supermagloy offers energy levels up to 500 per cent. higher than conventional magnets and has a high resistance to demagnetisation. With it, magnetic circuits can be made smaller and lighter without loss of performance. The magnets are produced by powder metallurgy and can be made in an infinite variety of shapes and sizes to close limits of size and surface finish.

Preformations on 0793 694222.

Drive axles sprung on rubber

PROGRESSIVE RATE rubber springing has been developed for the driving axles of trucks, including the tractor units of articulated vehicles.

Total chassis deflection is stated to be reduced by half, without impairing ride quality. This is because the Metalastik bonded-rubber sandwiches forming the springs progressively stiffen as load is applied. The maker says lubrication is eliminated, so are rattles, and leaf spring failures. There is also a weight saving.

The reduced deflection is a particular advantage for articulated tractors because it aids coupling to trailers and helps to avoid exceeding the four metre overall height limit which applies to goods vehicles on the Continent (and is propsed for the U.K. under EEC draft law). Reduced deflection also helps with rigid truck chassis working with demountable bodies, as it lessens height differences.

In the single-axle rubber suspension, two rubber-sandwich springs span the driving axle on each side. They thrust against an inclined pad bolted to each chassis side-member. On either side, each pair of springs is inclined, the rubber being compressed as well as being loaded in shear. The axle is therefore self-centred transversely. The effective roll centre is brought above chassis level, enhancing stability.

There is an upper torque rod, which in conjunction with lower radius rods from either side of the axle, controls braking and driving torque reactions, as well as providing longitudinal location.

Depending on the leaf-spring arrangement being replaced, something like 224 lb. is usually saved in weight with the rubber suspension, says the maker.

More from Rydewell Suspensions, Huntingdon Road, Wakefield Road Trading Estate, Brighouse, Yorks., HD6 1PZ (04847 78547).

● TELEVISION

Built-in teletext

PRODUCTION version[illegible] first colour receiver w[illegible] teletext facilities, [illegible] Radio International, [illegible] Harrods and other Lon[illegible] at a recommended pri[illegible]

The price of the [illegible] raising eyebrows in som[illegible] and does seem to be [illegible] out of alignment with p[illegible] made by some senior [illegible] the electronics industr[illegible] ing Jack Ackerman [illegible] who last month foresaw [illegible] ment of £200 on the [illegible] standard set to start [illegible] remote control.

Rank's comments are [illegible] guarded, with some em[illegible] the present small qua[illegible] expensive production [illegible] force at this early stage [illegible] difficulties of being "[illegible] ted"—a reference to th[illegible] position in decoder chip[illegible]

In any event, the [illegible] certainly seems determ[illegible] to underprice the produ[illegible] early and perhaps rathe[illegible] tain stage.

Rank marketing ma[illegible] Standring takes the v[illegible] 1977 can hardly be a ma[illegible] year in the real marketi[illegible] the operation amounti[illegible] evaluation at this sta[illegible] expects one or two ma[illegible] facturers to enter th[illegible] during this year and [illegible] the total market will exce[illegible] sets by the year end.

Most of the units are [illegible] to go into business envi[illegible] (the United Bank of Kuw[illegible] bought the first three), ho[illegible] some clubs—apart from [illegible] private individuals whose [illegible] are deep enough. M[illegible] 6491.

BUSINESS AND INVESTMENT OPPORTUNITIES

READERS ARE RECOMMENDED TO TAKE APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

هكذا من الأصل

HOME NEWS

…an on cable contract …ollusion confirmed

…H. HERMANN, LEGAL CORRESPONDENT

…STRICTIVE Pracatices …esterday confirmed the …uffered 16 months ago …in's leading makers of … cables who had tried …dinate bids for Post …ntracts.

…st order issued by the …sterday concerns three …ts for collusive tender… were unearthed at the …974 by the Monopolies …ion during its investiga… the supply of insulated …cable.

…cond order concerns a …greement concluded in …975, after the first three …re destroyed by having …de public. This never… operative because the …e refused to place any …unless the suppliers …k to abide by it.

…early last year orders …n placed on the basis of …ve tender, with the … agreeing to let the P.O. … their books.

…irst three agreements …tomatically made void …nforceable in law be…ey were kept secret and …stered. The court dealt …n in November, 1975, by …putting the parties at …alling into contempt of …hey should fail in future … any registrable agree…r registration.

…day, the court accepted …s' public admission that …ee agreements were …d made an order under …Two of the Restrictive … Act, 1976 restraining …m making any other agreements of similar effect.

The fourth agreement intended to replace the first three after their discovery, was duly placed on the Public Register of Restrictive Agreements not found no favour with the Post Office. It was concluded by only four of the original eight parties—British Insulated Callender's Cables, Pirelli General Cable Works, Standard Telephones and Cables and Telephone Cables.

The other four—Conollys (Blackley), Reliance Cords and Cables, Scottish Cables, and Belfast Cables—remained outside the new agreement, which obliged the four principal suppliers to disclose to each other the prices submitted in a tender, to eliminate the lowest bid and to select one of the two highest priced to continue either at the originally quoted price or at the price of the lowest remaining bid. In practice, this would mean two identically-priced bids.

Thought to be less harmful because it related only to external plant and telephone cables, this agreement nonetheless remained inoperative because the Post Office refused to place contracts with the parties unless each undertook to submit competitive tenders and to allow the Post Office access to their books and records.

The parties accepted these terms and the Post Office lifted its embargo in January, 1976.

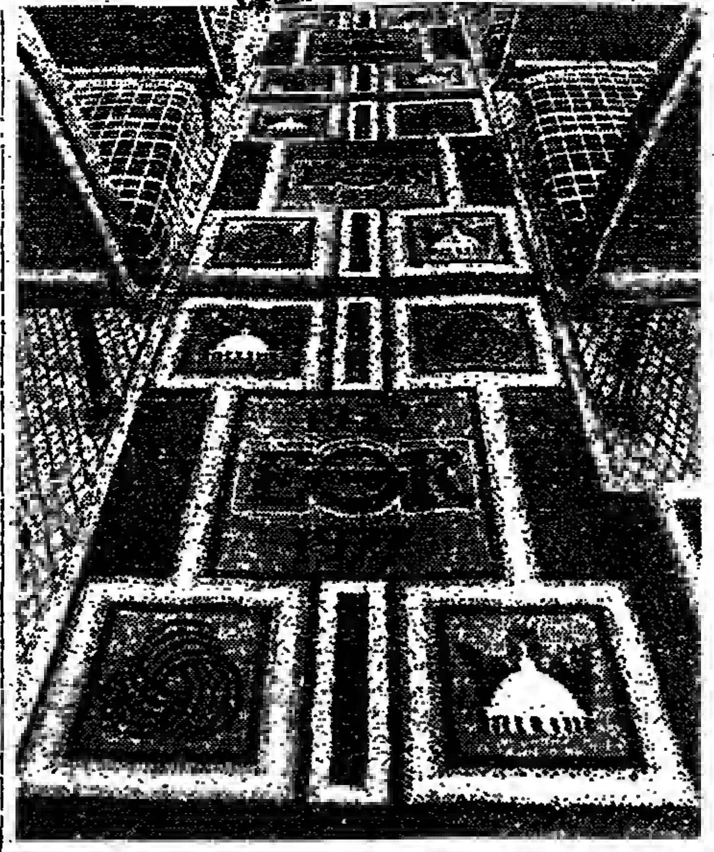
Under these circumstances future litigation would have served no practical purpose, and both parties invited the court yesterday to stay the proceedings in respect of this agreement unless and until they gave notice to the Fair Trading Office that they intended to bring it into operation.

After some hesitation as to whether such a stay of proceedings was possible under its rules, the court made the order as agreed between the cable makers and the Fair Trading Office.

Though it is still possible that the cable makers will make the correct guesses about their competitors' prices when tendering, and parallel pricing is not prohibited unless it results from a concerted practice, as a legal instrument the fourth agreement is now also dead.

Should the parties ever decide to revive it they would have to notify the Fair Trading Office, which could ask the court for an interlocutory injunction preventing them from making use of it pending trial. And, of course, it would remain open to the Post Office to reimpose its embargo on orders if it was minded to do so.

Christopher Lorenz writes: The Post Office resumed placing cable orders just over a year ago, after refusing to do so for several months while the controversy over the old and new agreements was at its height. During the rest of 1976 it ordered nearly £55m. worth of cables from all the suppliers concerned. A spokesman yesterday confirmed that it was examining the suppliers' books.



All-wool carpets on 25 Silver Jubilee London Transport buses (above) will give 6m. people a more luxurious ride until November. The gift is part of the British wool textile industry and the International Wool Secretariat's contribution to the Royal occasion.

At a ceremony in London yesterday, Mr. D. J. Carter, the New Zealand High Commissioner, officially handed over the carpet to Mr. Ralph Bennett, deputy chairman of the London Transport executive.

The carpet, which is made of New Zealand wool, is royal red, jubilee silver and black. It was designed by the IWS and incorporates London Transport's Silver Jubilee symbol, the London celebration Committee's logo—St. Paul's on an Imperial Crown—and the Woolmark.

The carpet was specially made by Thomson Shepherd Carpets of Dundee, Scotland, and will be laid down the centre aisle of the upper and lower decks of the buses which will be operating on main central routes from Easter Monday for seven months.

London Transport expects more than 250,000 people to travel on each of the buses during the period they will be in service. After use the carpet will be evaluated for soiling, maintenance and cleaning at the IWS technical centre at Ilkley in Yorkshire.

Production of Scotch whisky falls 8%

BY Kenneth Gooding

SCOTCH WHISKY production fell substantially last year, for the third successive year. It was just over 8 per cent down on the previous year, at 139.5m. proof gallons.

In turn, 1975 had shown a 16 per cent. drop on 1974.

However, the Scotch Whisky Association points out that the decline slowed in the second half of last year. It was only 1.4 per cent. below production in the comparable period a year earlier, whereas the first half showed a 12.8 per cent. drop.

"Orders in 1977 are up, and perhaps production will actually increase this year," the association said yesterday.

Some in the industry argue that the sharp decline was brought about by the high cost of financing whisky stocks, so that many companies cannot afford to produce as much as they would like.

Others consider that the major companies have cut their estimates of future demand and adjusted their production programmes as a result.

In the past the industry has looked for a 6 to 8 per cent. annual increase in world-wide Scotch sales. In fact, in 1976 sales were up only 3.65 per cent. on 1975, to 110.5m. proof gallons. Pre-budget buying in the U.K. at the end of the year, pushed British sales up 14.37 per cent. Exports increased by only 1.7 per cent.

Now many companies are expecting the growth to be maintained at around 5 to 6 per cent.

In 1976 production of malt whisky was down 6.5 per cent. to 64.4m. gallons and of grain whisky 9.5 per cent. to 75m. gallons.

North Sea watchdog hindered by 30% staff shortage

BY RAY DAFTER, ENERGY CORRESPONDENT

A NEW division of the Department of Energy, formed to oversee crucial North Sea oil and gas development, is being hindered by a 30 per cent. staff shortage.

The petroleum engineering division employs about 90 whereas it could easily justify a workforce of over 120. The department has found it particularly difficult to recruit professional staff with knowledge of oilfield geology and production techniques.

Three main reasons are cited: the shortage of trained personnel; competition from oil companies, including the Government's own British National Oil Corporation; and the department's inability to match international oil industry salaries.

A sign of the staff shortage, which is causing some concern within the Government, is the fact that as yet only one oil field—Hamilton's Argyll find—has been given full Government production authority. The other six fields on stream are being produced as a result of interim ministerial consents.

The department maintains that the shortage is not delaying the development of fields.

Statistics now being prepared by the Government—to be published next month in the Brown Book of offshore oil and gas resources—are believed to show that production in the 1980s will be at a lower level than estimated a year ago.

The last Brown Book, published last year, reported an estimate that up to 150m. tonnes of oil would be produced in the 1990s.

A recent energy policy review report hinted that output would be much nearer domestic demand and, as a result, some way short of the 150m. tonnes.

The department points to two main causes for the reappraisal: the development programmes for Britain's 15 commercial oil fields have slipped for a number of reasons and oil companies have not declared commercial new finds as quickly as the Government once thought.

"We have been trying to push them along," Mr. Henry George, director of the new petroleum engineering division, said yesterday.

Although the staff shortage may not be acting as a brake on offshore development, it is frustrating the full appraisal of North Sea progress.

Details of every well drilled, both exploratory and production holes, are sent to the department for analysis.

While the department is happy that it is being provided with all the necessary information, it is concerned about its ability fully to appraise all the data submitted.

For instance, the division has only one reservoir engineer-cum-economist, who, with the aid of a computer, has the task of assessing field economics.

● Dr. Dickson Mabon, Minister of State, Energy, yesterday announced the publication of a new quarterly newsletter, the department's Offshore Research Focus, which will outline technological developments for scientists, technologists and engineers.

…eriden expected to win …ew lease of life to-day

…TER CARTWRIGHT, MIDLANDS STAFF

…lease of life is expected …given to-day to the …Motor Cycle Co-opera… …r Coventry, when the … will be asked to …a grant of £500,000.

…will relieve the acute …ation and also enable …erative to sever its links …ton Villiers Triumph by …ut its distribution and …erests. Till now, the co…e has been only a manu… sub-contractor.

…roposed extra cash, in … of a grant, and there…terest-free, brings to …e Government's support …co-operative.

…cheme also involves a moratorium on interest …nts and brings the total of interest deferred up …d of 1978 to £1.05m.

…lso involved in the plan …talise what is now …only substantial motor …anufacturer, is making …ailable over three years on a revolving basis.

This is to help to create the organisation for marketing and distribution. Some of GEC's senior management is also giving technical and other advice, while Lord Stokes, former chairman of British Leyland, has promised to strengthen the North American connections.

GEC will buy the machines from Meriden for £500 each and pass them on to dealers for a handling charge of £15, leaving Meriden with a gross £725 for each machine, which it intends to devote to essential new plant, paying a professional management team, and reinforcing development of a new model for next season, though time is against it.

The 680 workers who had to be laid off six weeks ago because of the financial crisis caused by having 2,000 machines worth about £1m. in stock are being recalled to-morrow.

Production, which has been running at around 330 a week, is being restarted at 275. This will provide a breathing space while the U.K. and North American distribution organisations are restored.

In addition to the Bonneville, Meriden has just completed assembling from Italian components the first batch of 600 Moto Guzzi 125cc lightweight machines.

It has also despatched the first 300 Puch Maxi Mopeds which, like the £50,000 contract for "Jogger" exercisers, it has negotiated with the Austrian vehicle-makers Steyr-Daimler Puch.

Mr. Dennis Johnson, co-operative chairman, said last night he hoped to cement ties with Moto Guzzi on a European scale, to provide dealers with a bigger range. There seems to be no lack of demand for the Bonneville. Orders, and offers to take on dealerships, have come in from many parts of the world.

City rates exceed £1,000 per clerk

BY QUENTIN GUIRDHAM, PROPERTY CORRESPONDENT

THE COST in rates of a clerk in the City of London will exceed £1,000 in the coming financial year. This overhead cost projection is based on someone occupying 120 sq. ft. of office space in one of the best office blocks.

The figure is a generalised one because of the widely differing rateable values within the City. But on a similar property in 1970 the rates bill was only £170.

Rates, most of which go to the Inner London Education Authority, have risen in this period from little more than a tenth as much as rents to around two-thirds. However, a fall in City rents over the past three years has meant that overall accommodation costs in the City are still lower than in 1974.

Comparison

The figure of £1,000-plus a year rate costs per employee emerges from a study by Debenham Tewson and Chinnocks, chartered surveyors and estate agents, comparing City of London costs with those in the West End. Taking the small rise of 4.85p in the pound to 78.33p in the pound on City rates for the year 1977-78, the firm estimates the rental costs during the coming year of a City employee at £1,620 and the rates on this space at £1,054.

Rents are based on a level of £13.50 a square foot, a price currently paid for new leases on large areas of space in central modern blocks.

Smaller units in the best locations fetch well above this, but much traditional City accommodation is being rented at below £10 a square foot.

The Debenham Tewson and Chinnocks figures showed a rise in average prime rentals from £12 a square foot in 1976 to £13.50 in 1977, far short of the £22 of 1974.

Against the £2,674 total rent and rates cost of an employee occupying 120 square feet in the City the study estimates a total of £1,609 in Mayfair and £1,546 at Victoria. In both these areas the rate bill represents less than half rents payable.

Mixer drink war stepped up

BY KENNETH GOODING

THE BATTLE between the major brewing group's soft drinks subsidiaries for the lion's share of the £120m market for "mixers" (tonic, bitter lemon and so on) will intensify over the coming weeks.

Britvic, the Allied Breweries offshoot which first invaded this market only five years ago, claims it will become the second best-selling brand in pubs this year.

Mr. George Inman, the chief executive, says Britvic expects an 18 per cent. sales increase in the financial year to September, which should put the company ahead of its nearest rival, Canada Dry, owned by Allied's biggest competitor, Bass Charrington.

According to Mr. Inman Schweppes, which once dominated this market with a 70 per cent share, has suffered as the competition developed, and probably has seen its market share slip to 49 per cent.

Britvic launched its "mixers" nationally in 1972 after Allied rationalised its soft drinks businesses. Till then its name was associated only with fruit juices.

In the past five years a distribution network of 24 depots has been established; employment by Britvic Minster, the operating company, built to 1,700; and, Mr. Inman claims, profits have shown a 20 per cent. annual growth. Some £1.25m. has been invested at the Chelmsford factory.

In the past two years total sales of "mixers" have probably fallen by 5 to 10 per cent., hit by rapidly increasing prices of the spirits with which they are mixed.

…DT plan …link …es market

…hael Blanden

… Dominions Trust, the …nt credit group, is start… promote a scheme …ed recently, offering a …ed market - related … rate for medium-sized …y deposits.

…cheme is aimed to attract …ld by small commercial …es and by individuals by … a market rate coupled … ability to withdraw at …tice.

… as the average rate … it offers depositors s … per cent. over the … rate obtainable from …thorities. This rate is …d independently each … morning by Butler Till, …don money brokers, and … is paid quarterly.

State may recover half Scottish Daily News loan

BY OUR GLASGOW CORRESPONDENT

THE GOVERNMENT is likely to recover half its secured £1.2m. loan to the now bankrupt Scottish Daily News workers' co-operative. Mr. James Whitton, the liquidator, told the creditors meeting in Glasgow yesterday that the assets realised £1.38m. against debts of £2.5m.

Only Preferred creditors will receive a dividend. These are the Government; Beaverbrook Newspapers, which lent £225,000; and the 500 ex-employees owed £26,500 holiday pay.

Although Mr. Whitton would make no estimate, these creditors will probably get about 50p in the £. Among Ordinary creditors who will receive nothing are again Beaverbrook, owed a further £520,000, and Mr. Robert Maxwell, who invested £114,000. The worker-shareholders also lost their investments, ranging from £100 to £4,000.

Mr. Whitton told the meeting that George Outram, publisher of the Glasgow Herald and Evening Times, and a wholly owned subsidiary of Scottish and Universal Investments paid £875,000 for the co-operative's Albion Street building and its main presses.

The liquidator said he expected to receive the cash from the sale on April 1, the date of entry. The Preferred creditors would start to receive their money on April 6.

…spending …n. to beat …estos risk

…ial Times Reporter

…H RAIL is spending £7m. … four-year period to … potentially dangerous …sbestos lining material …e cabs of locomotives.

…teen treatment centres …een set up for stripping …sulating material, which … experts say can cause … of cancer.

…sbestos has been used in … stock since 1967—two …before it was banned by …vernment. British Rail … last year that as an extra …tion, asbestos would be …or removed from loco…s as they come up for …ul.

Building orders up in January

BY MICHAEL CASSELL, BUILDING CORRESPONDENT

THE VALUE of orders won by the construction industry in Britain during January rose sharply after the poor December total. They were also marginally higher than in the same month of 1976.

According to provisional figures from the Department of the Environment, the current price value of contractors' work taken on during the first month of this year reached £565m. against £439m. in December and £543m. in January, 1976.

Measured in constant price terms, the construction industry's total new workload recorded between November last year and the end of January showed an increase of 6 per cent. over the previous three months and over the same period a year earlier.

Despite the apparent revival in contracts, however, the industry expects that its total workload this year will fall by around 8 per cent. from the 1976 level, which in itself fell by 4 per cent. from the preceeding 12 months.

The DoE estimates that new orders in the council housing sector in the three months to the end of January were 5 per cent. down in value on the previous three and by 24 per cent. on a year earlier. In January alone, however, orders rose to £101m. against £82m. in December.

Private housing orders recorded in the latest quarterly period under review fell by 10 per cent. from the previous three months and by 15 per cent. from the same period a year before.

Public works new orders received in the three months ending in January increased, however, by 25 per cent. over the earlier quarter and by 11 per cent. on the same period 12 months earlier. Orders for private industrial work were up 20 per cent. on the preceding three months and nearly 90 per cent. on a year before, although the increase reflects the very low level of output then recorded rather than any prospects of a major recovery in this sector.

The DoE says that, in the private commercial sector, contractors' orders recorded between November and January fell by 13 per cent. from the previous three months, although they showed a 28 per cent. increase over the comparable period 12 months earlier.

…W REPORTS

	Depth (cms.) L	U	State of Piste	Weather	°C
…att	55	380	Good	Cloud	6
…ry snow on hard base					
…	90	248	Good	Cloud	0
…ling everywhere					
…tz	90	185	Good	Fine	2
…wder on upper slopes					
…	30	150	Good	Snow	5
…d low cloud					
…	30	120	Good	Fine	4
…w on hard base					
…above reports were supplied by …ntatives of the Ski Club of Great …					
…	60	55	Good	—	2
…	50	170	Good	—	—
…	150	170	Good	—	—
…	25	800	Good	Cloud	—
…	55	235	Good	Cloud	—

Computing centre backs privacy rights

THE CITIZEN'S basic right to privacy from data-gathering computers should be protected by law, says the National Computing Centre. The manner in which this is done was primarily a moral rather than a computing matter, the Centre states in its submission published yesterday to the Data Protection Committee.

The National Computing Centre, set up with government money to promote the more effective use of computers, says everybody should have the right to refuse to supply data as well as the right to know what is already held.

It states: "There should be a right of action open to an individual if data is passed to a third party without his consent."

Legislation should deal with more sensitive areas first, including credit-rating agencies, local and central government files, police systems and national security systems.

● A study of trends in computing has been commissioned by the Department of Industry's Computers, Systems and Electronics Requirements Board (CSERB), the department announced yesterday.

It will be carried out by Mr. Iann Barron, and the science policy research unit at Sussex University, and consider computing developments and scope for effective Government action to influence them. The work is scheduled for completion by mid-year.

PARLIAMENT

Tories scent another vote retreat

Foot pursued over terms of defence debate

BY IVOR OWEN, PARLIAMENTARY STAFF

ALL THE contestants busied themselves in the Commons yesterday with outward displays of preparing to run up the victory flag in anticipation of the crucial vote to-morrow night which could plunge the country into a general election.

But while Mr. Edmund Dell, the Trade Secretary, and his junior Ministers were looking ahead throughout question time, with apparent confidence, to future developments in Government policy, Mr. Michael Foot, Leader of the House, could only trumpet a faltering note of uncertainty.

To an accompaniment of jeers from the Tory benches, he had to confess that such was the parlous state of the all-too-evidently minority Government that he was unable to announce the terms of the motion for the two-day defence debate due to begin in just 24 hours' time.

With Mr. Francis Pym, shadow Leader of the House, pointing the way, the rampant Tories, with memories of last Thursday's Government retreat uppermost in their minds, wanted a chapter and verse explanation of what they insisted was an unprecedented prelude to a major debate on defence.

Was it because the Government, fearful of a reverse in the division lobbies, was preparing to run away again by inviting the House to debate defence on the formal motion for the adjournment?

Mr. Michael Foot

Uncharacteristically, Mr. Foot seemed to prefer sheltering behind procedure rather than risk launching a counter-attack.

But he did offer the prophecy, that before the end of the second and final day of the debate next Monday, Conservative MPs will have ample time to make up their minds about the amount by which they would like to increase public expenditure by spending more on defence.

"How can we have a debate without a motion?" stormed Mr. Victor Goodhew (C., St. Albans).

Mr. Foot could only suggest that Mr. Goodhew would find it possible to make a speech whether or not there was a motion before the House.

But his position seemed close to crumbling when Sir Ian Gilmour, shadow Defence Secretary, in almost disarming tones, patiently told Mr. Foot that the House only wanted to know why the Government was unable to announce the terms of the motion to be moved at the opening of the defence debate.

There was a knowing laugh from the Tory ranks when Mr. Foot replied: "You can appreciate the situation perfectly well."

Still the Tory benches pursued Mr. Foot for a more explicit admission of the Government's predicament. They even appealed to the Speaker, Mr. George Thomas, in a vain bid to discover the form of the mystery motion.

There was general laughter when he answered: "If the Liberals don't mind, I must fall back on the Liberal saying 'We must wait and see'."

Earlier, Mr. John Nott, shadow Trade Secretary, claimed to have found the formula which the Prime Minister will use to enable the Government to survive to-morrow and cling to office.

The Government he told the House, had clearly abandoned the majority report of the Bullock Committee on the appointment of worker directors and would be adopting Liberal policy on worker participation instead.

"The Prime Minister will announce that this is the new policy of the Government," he forecast, as if he were already privy to the outcome of the meeting between Mr. Callaghan and Mr. David Steel, the Liberal leader.

Mr. Dell retorted: "At any rate, you concede that the Liberal Party has a policy on participation. That is something you cannot claim for your own party."

He also stressed, perhaps more significantly that the Government was seeking a consensus on worker participation, in the knowledge that the CBI was implacably opposed to the majority Bullock recommendations.

Dell eager for more trade with Russians

By Ivor Owen, Parliamentary Staff

RUSSIA WAS urged to conclude more deals with British businessmen by Mr. Edmund Dell, Trade Secretary, in the Commons yesterday, when he expressed disappointment that the total value of contracts placed under the credit agreement initiated by Sir Harold Wilson in 1975, has not exceeded £188m.

He recalled that Mr. Gromyko, the Soviet Foreign Minister, had envisaged that deals would be concluded up to the £950m. limit of the agreement and complained: "Nothing like that has yet been achieved."

Mr. Dell stressed the importance of Russian contracts in providing employment in Britain and told MPs: "I must say I am disappointed about the speed with which trade under this agreement is being negotiated.

"I certainly look for a considerable improvement over the next few months."

Mr. Winston Churchill (C. Stretford) called for confirmation that not one penny of profit would be coming to Britain under the contracts concluded through the credit agreement.

Could it be denied that approximately 50 per cent. of the total production cost of anything the Soviet Union chose to purchase under the agreement would be footed by the British taxpayer?

Mr. Dell could confirm neither of these points. The contracts brought employment to Britain and he did not think the companies concerned would enter into them if they did not think it worthwhile.

No general import controls

IN A COMMENT in the Commons yesterday on the latest review from the Cambridge Economic Policy Group, Mr. Edmund Dell, Trade Secretary, again ruled out the imposition of general import controls by the Government.

Such a policy, he maintained, would involve dangers for Britain. "Indeed, if other forecasters, including these, are right in suggesting that this country will shortly be moving to a balance of payments surplus, there would be great difficulty in using the sort of policy instrument they are recommending."

Spending on alcohol

CONSUMERS' EXPENDITURE at current prices on alcoholic drink in 1976 is estimated to have been £5,980m. and on tobacco £3,106m.

Giving these figures in the Commons yesterday, Mr. Robert Sheldon, Financial Secretary, told MPs that, expressed as an average per head of the home population aged over 18, they became: alcoholic drink £148, and tobacco £77.

Government reverses rebates Bill defeat

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE GOVERNMENT had a comfortable majority of 37 (220-183) in the Commons last night for the second reading of the Redundancy Rebates Bill, which had previously been defeated by a majority of one (130-129) on February 7 when it was first presented to the House.

There was a sarcastic Tory chorus of "They've won one. They've won one!" when the result was announced.

The original Bill, which provoked great hostility among Labour backbenchers, reduced from 50 per cent. to 40 per cent. the payment which an employer receives towards the total amount he has had to pay in compensation to redundant workers.

The defeat in February was the first time since 1888 that a Government measure had been thrown out on second reading.

In order to minimise opposition within its own ranks, the Government altered the legislation and brought forward the new version.

Under this an employer receives rebates on a scale varying from 35 per cent. to 80 per cent. The present intention of the Government is to bring forward an order fixing the new level at 41 per cent., so, in practice, the effect of the Bill is virtually unchanged.

It was apparent during the debate that the new measure has not provoked any enthusiasm among Government supporters. For much of the time, not a single Labour MP was present on the backbenches.

Reflecting the current mood of belligerence in the House, Mr. Barney Hayhoe, a Conservative spokesman on employment, attacked the Government for bringing in what he called "an insignificant irrelevance of a Bill."

He claimed that the Government was "divided, demoralised and discredited." It was giving priority to a Bill which demonstrated its manifest unfitness to remain in charge of the nation's affairs.

The Government, he said, was merely seeking more time to "cobble together a grubby and shady deal," to enable it to survive beyond to-morrow's vote of confidence.

According to Mr. Hayhoe, the almost unprecedented defeat of the Bill six weeks previously was probably because the Prime Minister and the Chancellor of the Exchequer had been absent unpaired. He argued that the new Bill was just as poisonous as the first. It was not being requested by people like Mr. Jack Jones or Mr. Tom Jackson, nor by the CBI.

Mr. Graham Page (C., Crosby) intervened to point out that since the Labour benches were so empty, the Government backbenchers could not want the Bill either. Mr. Hayhoe quipped that they were probably contemplating the unemployment that would be facing them if there was a general election.

He maintained that there was no public expenditure case for the Bill except in the most narrow and legalistic interpretation. The Government was showing its contempt of the House and the rights of backbenchers by presenting them with a measure which gave greater power to the Executive.

For the Scottish Nationalists, Mr. Douglas Henderson (Aberdeenshire E.), accused the Government of bringing back the Bill in a "sneaky backdoor way" and said that his party would be voting against it.

The Government's tactics, he claimed, were unworthy of any administration which hoped to command the respect and support of the other parties. Unless the Government could learn from the views of the House, then it had no right to remain in Government.

Mr. Harold Walker, Minister of State for Employment, said that it was not a rehash of the earlier Bill. Reducing the rebate would cut the public sector borrowing requirement. The rebates were paid from the redundancy fund and, by definition, this was public expenditure.

He also emphasised that although a flexible system of payments was being introduced, the Bill did not allow for the payment to be made at 40 per cent. as it was in the original Bill.

Liberal voices nuclear fears

THE JAPANESE think that if they have to have a nuclear dump it is better in the U.K. than Japan, a Liberal MP claimed in the Commons yesterday.

Mr. David Penhaligon (Truro) sought to prevent the Commons from guaranteeing public money to cover possible repayments to the Japanese if the nuclear reprocessing plant planned for Windscale, Cumbria, proves unsuccessful.

Mr. Penhaligon's move came as MPs debated the Nuclear Industry Finance Bill's report stage.

He said backing should not be given before the outcome of the public inquiry into the planning application for the nuclear reprocessing plant at Windscale.

"Until the public inquiry has taken place, we do not believe there are sufficient facts known on which to base the decision." The plant increased the possibility of plutonium proliferating throughout the world.

Mr. Penhaligon said the worry was that reprocessing would quickly lead to enormous amounts of plutonium available in the world for people to use as they chose. "Virtually any country, given a source of plutonium, could get the services of people with knowledge of nuclear fission to make a bomb."

There was also the danger of guerillas getting their hands on a small amount of plutonium and using it for a form of guerilla warfare "we have not yet experienced."

It was nonsense for MPs to approve the borrowing powers when the Windscale project was about to begin a public inquiry into safety and other aspects.

Mr. Frank Hooley (Lab., Heeley) claimed that the British taxpayer would have to "stump up" £500m. if something went wrong between British Nuclear Fuels and a customer on a reprocessing deal.

Reprocessing was generally accepted to be a politically, economically and technologically uncertain area. It had been called into question by a country as technically sophisticated as the United States. "This is an extraordinary way of dealing with public money," he said.

Mr. Alex Eadie, Energy Under Secretary, said the Government intended to introduce powers allowing it to guarantee advance payments made by overseas customers to finance their share of the proposed oxide reprocessing plant at Windscale, which would be subject to a public inquiry.

He believed it was reasonable for customers to be guaranteed return of these payments if necessary. The Government did not wish British Nuclear Fuels to be denied access to this type of financing because the Government could not guarantee their loans.

Mr. Eadie said the Liberals had a mistaken objective if they hoped to discourage BNFL from undertaking overseas reprocessing work. The work was commercially attractive. It would also help stop nuclear proliferation.

Mr. Eadie assured MPs that the safety standards of the proposed plant would be examined at the Windscale public inquiry. Financially, the Government would not take risks. The contracts with foreign customers would allow the return of waste without further obligation to reprocess it. The risk of technological problems was borne by the customer.

Commons business

RE-ARRANGED Commons business this week will be:

TO-DAY: Opening of defence debate: motion on financial assistance to Meriden motor-cycle co-operative.

WEDNESDAY: Debate on Opposition censure motion.

THURSDAY: Social Security (Miscellaneous Provisions) Bill, Lords amendments; motion on the Family Income Supplements (Computation) regulations and motions on the European Communities (Definition of Treaties) orders; opposed private business.

MONDAY (March 28): Conclusion of defence debate.

Six to contest Stechford

NOMINATIONS FOR the Stechford by-election closed yesterday. Six candidates are to fight the seat left vacant when Mr. Roy Jenkins became president of the European Economic Community.

Ulster policy assurance for Vanguard leader

BY GILES MERRITT

A CLUE to the limits within which Mr. Callaghan's Government considers it can manoeuvre in its attempts to persuade Ulster's ten Unionist MPs not to oppose it to-morrow is contained in a letter from Mr. Roy Mason, Northern Ireland Secretary, published in Belfast yesterday.

Mr. Mason was replying to Vanguard Unionist party leader, Mr. William Craig, who had queried the Ulster Secretary's Commons remarks that there would never be "a return to a one-party state" in Northern Ireland.

Mr. Craig had said that if Mr. Mason's remark meant no devolved Parliament operating under majority rule, he would oppose the Government and seek its early downfall.

In his reply, which begins with the words: "Let me at once reassure you," Mr. Mason suggests that he intended no departure from Government policy. "Any future system of devolved government in Northern Ireland must be one on which both the majority and minority sections of the community could agree," he writes.

But the Secretary of State leaves the way open for some form of agreement with the Unionists when he declares: "The Government is not going to lay down hard and fast rules about how such an agreement is to be arrived at, or what form it should take."

Written answers

TREASURY

Mr. Jerry Wiggin. How many extra staff have been employed to administer multi-rate value-added tax since its introduction.

Mr. Robert Sheldon. Additional staff numbers arising from the higher rate of VAT cannot be isolated from those relating to the administration of VAT as a whole but it is estimated that the equivalent of about 250 staff in Her Majesty's Customs and Excise are now employed in the collection and administration of the higher rate of VAT.

*

Mr. Robin Maxwell-Hyslop (Cons. Tiverton).—Under the scheme which has replaced family allowances, why are widowed mothers who are employed, currently charged income tax on £1 per week which they do not receive, being deducted from their widow's pension and will immediate action be taken to stop this deduction?

Mr. Robert Sheldon. There is no question of any current deduction on this account. In some instances, PAYE code numbers issued for the coming tax year to widows and others receiving taxable child dependency allowances have not correctly reflected the changes which result from the introduction of the child benefit scheme. Tax offices have therefore recently been reminded of the need to ensure that the detailed instructions issued last autumn are properly implemented and to take all possible steps to correct errors that have occurred.

*

TRADE

Mr. Bryan Gould (Lab. Southampton Test).—By what proportion did world trade in manufactures increase in 1976: and by what proportion did U.K. exports of manufactures increase over the same period?

Mr. Michael Meacher, Under-Secretary. Information on exports of manufactures by the main manufacturing countries is available only up to the third quarter of 1976. The information for the quarters of 1976, which is still provisional, shows an increase, in dollar value terms, of 9.7 per cent. in the first three quarters of 1976, compared with the corresponding period of 1975. Over this same period, the dollar value of U.K. exports of manufactures rose by 5.2 per cent. In volume terms, the increases are 11.6 per cent. and 7.2 per cent. respectively. For 1976 as a whole U.K. exports of manufactures increased in dollar value by 5.4 per cent. and in volume by 7.5 per cent.

Diplomatic staff claim parking fines immunity

THE NUMBER of parking tickets that had to be cancelled because of immunity enjoyed by diplomatic staff based in London rose to 92,985 last year compared with 52,839 in 1974, the last year for which comparable figures are available, Mr. Brynmor John, Home Office Minister of State, said in a Commons written reply yesterday.

Worst offenders were the Nigerians, whose staff accumulated 6,450 unpaid tickets, followed by Egypt with 4,923. At the other end of the scale, New Zealand collected only one unpaid ticket.

EEC surplus butter sale protest by Tory peer

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

PARLIMNTRY CORRESPNDNT. THE SALE of EEC surplus butter to the Soviet Union at 17p a pound had given great offence in Britain, Lord Sandys, a Conservative front bench spokesman, complained in the Lords last night when peers debated Community farm prices.

He recalled that the "butter mountain" had now risen to 260,000 tonnes and there were 1.1m. tonnes of surplus skimmed milk in the Community.

Although Britain was a stranger to the idea of food surpluses, it was still a very serious criticism of the Commission that the sale to the Soviet Union should have taken place. "The Commission must also be aware that if surpluses of this magnitude arise again, there will be a total revulsion against another sale to a third country in this way," he added.

On the question of skimmed milk, Lord Sandys thought the Commission had made a helpful suggestion that it should be used for the school milk programme.

"Nevertheless, I do believe that 1.1m. tonnes of surplus milk is a matter of the greatest concern in the Community. The notion of recycling the milk for animal foods appears to be one of the most uneconomical methods of using this commodity," he declared.

Lord Sandys was a[...] of the Commission's [...] that the Milk Market[...] should be abolished [...] been of the greatest [...] both for the consumer [...] ducer. "We should [...] utmost to support the [...] ment in sustaining [...] tinuance of the Board."

Turning to the prop[...] cent. increase in EEC [...] coupled with a devalua[...] green pound, he maint[...] if this were accepted, [...] farmer would not even [...] cover his costs.

From the Labour ben[...] Raglan, chairman of [...] committee of the Lords [...] Communities Committ[...] with agriculture and [...] prices, criticised the [...] Agricultural policy.

"It must be worth[...] tinually trying to res[...] creasing complication[...]

Lord Pritchard, a cr[...] who is chairman of an [...] committee of the Euro[...] munities Committee, [...] in the long-term the [...] between the green pou[...] market rate of sterli[...] ionable. Any adjust[...] remain under the [...] individual States [...] Council of Minister[...] be achieved in the [...] further reconsidera[...] whole CAP price-[...]

هكذا من الأصل

ERTISER'S ANNOUNCEMENT

We'll take more care of you

20

British airways ANNOUNCE

Fly the flag

Tuesday, March 22, 1977

Wide-bodied jets soar from seven to seventeen every week

GULF GETS TEN MORE TRISTARS

EPING right in step with the enormous ness boom in the Gulf, British Airways increase its wide-body TriStar services he area from seven each week to 17 n April 1.

is means that a daily TriStar service will ate to Dubai, Dhahran and Abu Dhabi, Bahrain and Doha will have TriStar flights he first time. Kuwait will have six TriStars until May 18, when the TriStar service will xtended to a flight every day.

ish Airways can also these advantages on its ervices:

It is the only airline to fly to all seven Gulf destina- plus Jeddah, from Lon-

There are non-stop flights to Bahraio, ran, Kuwait, Doha, Jed- id Muscat — a major plus with the international ss community looking to ime.

ish Airways introduced de-bodied luxury of the r to the Gulf a year ago. is superliner will become nore familiar sight in the his summer.

eased

instance, Dhahran which nas four TriStars each will enjoy a daily TriStar

Dhabi, from having lights a week flown by a e of different aircraft, ive a TriStar every day. ha's service with four s will be increased to VC10s, plus three rs a week.

d Muscat, which has had. C10s each week, will be d four times each week by h Airways 747.

Announce Reporter

The British Airways TriStars have been fitted out to serve the demands of the business community in the Gulf area, with an enlarged first-class cabin, seats in both sections as big as those in the jumbo jet, and improved wardrobes and galley units.

Middle East

At the same time, British Airways is stepping up its services to other parts of the Middle East.

To Teheran there will be 14 VC10 flights each week instead of ten. Ten of the flights will be non-stop.

To Cairo the services are to be increased to six each week. To Amman there will be four non-stop flights each week, two by TriStars and two by VC10s. And to Baghdad there will be two TriStars and a VC10.

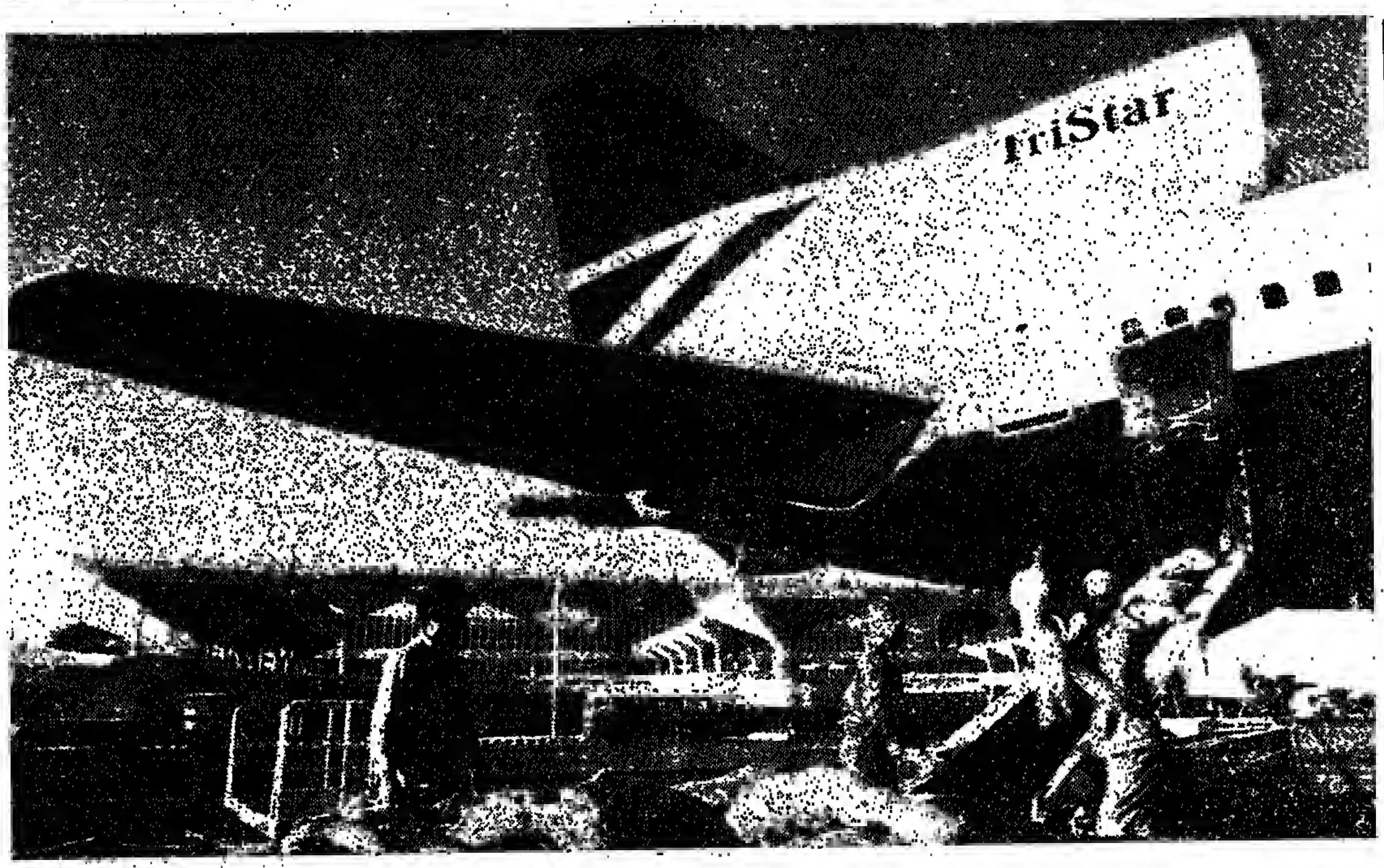
British Airways' imaginative summer timetable puts the whole of the Middle East at the disposal of the business traveller more frequently than ever before, with most flights taking aroud seven hours.

DH66

he pioneers

ISH AIRWAYS which ered Coocorde on the to Bahrain has always n the forefront of aviation Gulf and the Middle East. 1927, the first services operated hy a DH66 ner. It carried 14 passengers and a crew of three, flew at 95 miles an hour and took six days to Basra. In 1932, Bahrain's first commercial service also took six days.

Quite a contrast from Concorde! She flies there now in just four-and-a-qoarter hours.



Cargo being unloaded at Dubai

More jets than ever to Germany

THE BOOMING Federal Republic of Germany is a top target for British businessmen chasing vital export orders.

British Airways soon recognised the increase in demand for speedy direct services to the major German trading centres. And from April 1 it has more flights from the UK to the Federal Republic than any other airline – 129 flights a week to nine important Germao business centres.

A British Airways spokesman said: "We want to do all we can to help British business travellers capture their share of this market."

To help boost the export effort there will be major increases in flights from April 1.

Non-stop

From Heathrow, flights to Frankfurt will increase from three to four a day, and to Munich they will increase from seven to 12 a week. There will be a new non-stop service to Hanover every day. In addition, there will be a second daily service to Hanover in the periods. April 19-29 and September 19-30, during the two major trade fairs.

Düsseldorf has three flights a day including a new morning departure at 0945. Hamburg and Berlin each have two flights a day, while Bremen, Cologne and Stuttgart are served daily.

From Manchester there is a new service to Frankfurt every weekday, plus the daily service to Düsseldorf/Berlin. There are also flights every weekday from Glasgow and Birmingham to Düsseldorf.

British Airways German service does not end with the most comprehensive timetable available. It also offers:

- Special inclusive packages, including all the main exhibitions and trade fairs.
- British Airways Associate Hotels in Munich and Düsseldorf, which can be booked at the same time as the flight.
- Special Spouse fares so that a businessman can take his wife with him at reduced rates.

Belfast gets the super Shuttle

Cartoon by Ross

FROM April 1, Belfast will join the highly successful British Airways Shuttle services. That is just part of the spring news for UK travellers.

The London-Belfast Shuttle, which will be operated by Tridents, will follow the same principles pioneered by British Airways on the Shuttles to Glasgow and Edinburgh.

Passengers can buy their tickets in advance at Travel Agents or pay on board the aircraft. Seats are guaranteed without any need for advance booking.

The Shuttle will operate a two-hourly service betweeo 0820 and 1020 from Heathrow. First departure from Belfast is at 0720 followed by a two-hourly shuttle between 1020 and 2020.

New services

On the same day – April 1 – another important new flight will be added to the already comprehensive Great Britisb service offered by British Airways.

ABERDEEN, the nation's oil capital, will be the destination for a twice daily service from Gatwick.

The Gatwick route will be in addition to the existing five flights a day between Heathrow and Aberdeen.

The weekday BAC 1-11 flights will depart Gatwick at 0940 aod 1905. They will leave Aberdeen at 0750 and 1715. Flying time is 80 minutes.

MANCHESTER services have also been improved. Now there are nine Super 1-11 flights to Loodon every day.

There are also new services from Manchester to Zurich and Frankfurt.

British Airways is expanding many of its busy routes within Britain in response to tbe increasing demand for air travel.

Supporting the wide network of air services available are British Airways Associate Hotels, which are ideally located in main centres.

At all the points served by British Airways around the country are good car hire facilities and to complement the instant Shuttle service there is an instant car hire scheme.

Shuttle-Drive by Godfrey Davis guarantees a car without any need to book. Passengers can pick up a hire-car booking form on departure.

REWARD Wanted: The top traveller

THE SEARCH is now on for the top traveller on British Airways domestic flights during March and April.

The person who uses British Airways domestic services most during these two months will win a two-week holiday for two at a first-class hotel in Bermuda (in association with the Bermuda Department of Tourism).

All scheduled domestic flights qualify and to enter all you oeed do is write and tell British Airways what flights you have been on.

Please retain the passenger coupons from tickets for the period in case proof of travel is required later.

Runner-up prizes will be awarded on a regional basis.

Eotries, by May 9, to British Airways, Dept IB, 18 Crimscott Street, London SE1 5TS.

9 days left for the Jubilee Sale

THE Great British Airways Jubilee Year Sale spring offers, with up to £30 off some holidays, are coming to a close.

Already thousands of holidaymakers have taken advantage of the savings offered at 70 hotels in the Sovereign, Enterprise and Cambrian brochures. But with the March 31 deadline approacbing time is running out for sun-seekers chasing a bargain.

The other great news for travellers is that all Sovereign, Enterprise and Cambrian holidays in Europe and North Africa are at a guaranteed fixed price. Not one penny will be added to a holiday after it has been booked. (Only Government action can affect tbis guarantee.)

This Fixed Price Guarantee, pioneered by British Airways in 1975, also applies to the Jubilee Year Sale.

The discounts offered in the sale are for April, May and June departures and are:

- **£10 off many seven-oight holidays.**
- **£15 off many 14-night holidays.**
- **£30 off selected 14- and 21-night holidays.**

The British Airways boliday bonus does not end there.

Announce Reporter

Discounts for children have been improved. Special Family Fares, which can include free baby-sitting service two nights a week, have been introduced on certain Enterprise Holidays.

All are designed to make the holiday £ go a little further.

Details of the Juhilee Year Sale are available from Travel Agents and British Airways shops.

There is not much time left to book. So hurry, collect your Enterprise, Sovereign or Cambrian brochures and . . . book before March 31.

These are just some of the Jubilee Year Sale bargains:

SIX JUBILEE SALE BARGAINS

	Hotel	Departure	Brochure price from	Jubilee Sale price from
			7 NIGHTS	
MAJORCA (Enterprise)	Tropical (Playa de Palma, Arenal	Manchester Luton	£104	£94 (full board)
ITALY (Enterprise)	(Cattolica)	Gatwick Manchester Glasgow	£91	£81 (full board)
SPAIN (Enterprise)	Copacabana (Lloret de Mar)	Gatwick Manchester Glasgow	£69	£59 (full board)
			14 NIGHTS	
SPAIN (Sovereign)	Miramar (Castro Urdiales)	Heathrow	£175	£160 (full board)
TURKEY (Sovereign)	Cinar (Istanbul)	Heathrow	£280	£265 (half board)
MAURITIUS (Sovereign)	Saint Geran (Mauritius)	Heathrow	£590	£560 (half board)

All prices from London

For reservations or further details, see your travel agent or British Airways shop

Europe flights increased

BRITISH AIRWAYS flights into Europe are now more frequent and better than ever. Here are some of the new developments:

PARIS: The route from London to this city, one of the busiest in the world, has now been increased to seven flights a day from Heathrow. Four of those flights are by wide-bodied TriStars.

The regular two-hourly schedule from 0800 to 1800 is now augmented with a 2030 service and First Class is available on every flight.

Paris flights also leave from Manchester, Birmingham and Cardiff/Bristol.

Improved

NICE: Services have also been improved with the introduction of TriStar for the first time on five days a week.

MILAN: It now has three British Airways Trident flights a day from Heathrow – at 0845, 1415 and a new service at 1815, except Saturday.

MADRID: Spain is becoming increasingly important and British Airways has stepped up its TriStar flights to Madrid to three a week.

The twice daily service from Heathrow leaves at 1010 and 1550, with TriStars operating the morning flight three days a week.

Relax with the Monarch

WELCOME! British Airways Senior Passenger Agent Anna Pearce shows off the reopened Monarch Lounge in Terminal Three at Heathrow, which can be used by First Class passengers and Executive Card holders. The lounge has been completely refurbished and redecorated.

GHANA'S ECONOMY

The dangers of a high exchange rate

BY SUSAN MORGAN

THE SORRY state of the economy transcends all political problems in Ghana. "It's a big, big mess," Ghanaians say, pointing ruefully to the popularity of a hit record entitled "Ehiama," meaning "I am broke."

Five years after General Ignatius Acheampong overthrew the elected administration of Dr. Kofi Busia to "clean up the economy," foreign exchange reserves are falling, inflation is spiralling and economic growth is stagnating. Production of cocoa, Ghana's chief export, has fallen this year by some 68,000 tons, from 398,000 tons last year to around 330,000.

But there are hopes that this year may see at least a partial turning of the tide for General Acheampong's military Government. General Acheampong has appealed for 1977 to be a year of action to win the "economic war" and there are signs that the Government is trying to put more muscle behind its exhortatory slogans.

Politically, too, change appears to be in the offing. At the end of last year, the Government floated the idea of bringing back some form of civilian participation in the administration, through a "Union Government." But it is far from clear what form this would take, as political parties and a general election have apparently been ruled out.

General Acheampong inherited considerable economic problems—general mismanagement and a history of debt among them. The variety of social and political systems experimented with since independence—20 years ago this week—did not help matters, nor did the expensive prestige projects initiated by Kwame Nkrumah, who was overthrown in 1966.

The Acheampong Government made a promising start but has been experiencing growing economic difficulties in the past two to three years which are now assuming the proportions of a full-scale crisis. Ghanaians explain their difficulties largely in terms of the rise in oil prices (the country has no oil of its own), coupled with a lack of foreign investment and two seasons of bad harvests.

The average Ghanaian is most affected by inflation, officially running at 62 per cent. but unofficially estimated at around 80 per cent. Local food prices are soaring and there are shortages of many basic commodities such as soap, toilet paper, matches and toothpaste.

The balance of payments moved from a $69.9m. surplus in 1973 to a deficit of $91m. in 1974 and then recovered to a virtual balance in 1975. But the high cost of oil imports suggests that Ghana's trade balance this year may show a deficit of between Cedis 150m. (£76m.) and C200m. (£105m.), even worse than 1974.

Exacerbating this situation is Ghana's strong and traditional propensity to import. Efforts by the Government to establish import priorities through a licensing system have so far met with only limited success and (as in the past) have been prone to abuse and bottlenecks. Delays of between three and six months are common.

Perhaps the key to Ghana's economic difficulties, and one severely constraining development, is the artificially high exchange rate. Officially tied to the dollar at C1.15, the Cedi's unofficial and black market rate is four times lower. The cost of imports has long been a major political issue and this, coupled with the fact that the Government took power from the Busia administration over the issue of a near 50 per cent. devaluation, has inhibited it from managing the exchange rate. Most Ghanaians maintain that it is politically impossible for this Government to devalue.

Money supply

Inflation is being fuelled by the continuing restraint on imports—though this may be marginally relieved by an extra C100m. (£52m.) worth of import licences for this year—and by a continuing depression in domestic output, largely attributable to the bottlenecks and mismanagement of the import licensing system. A third contributory factor is the increase in money supply, which rose 47 per cent. between March 1975 and March 1976.

Total revenue for 1976-77 is estimated at C1.08bn. (£570m.), a 48 per cent. increase on last year, but actual receipts are likely to be down, with an apparent increase in smuggling reducing the effect of world record cocoa prices.

For an economy based on agriculture, Ghana has fared badly in the past two years. Its major export earners, cocoa and timber, face increasing competition from the Ivory Coast. Timber there is cheaper and the Ivory Coast seems certain to overhaul Ghana in cocoa production in the next five years.

The first major undertaking of the Acheampong Government, to achieve self-sufficiency in agriculture via Operation Feed Yourself, has suffered a drop in production, due partly to bad weather and partly to a loss of impetus.

Cocoa, of which Ghana has been the world's foremost producer for many years, faces particularly severe problems. The causes of this year's shortfall include the old age of both trees and farmers, fragmentation of farms into uneconomic units, an increasing number of absentee landlords, low prices to producers and smuggling.

Corruption is rife—and at the highest level. Last November two retired Generals were accused of evading customs duties totalling nearly £180,000. Rumours that officials are involved in the evasion of duties are given credence by the wholesale and regular transfer of border guards and customs officials.

Smuggling has assumed the proportions of a national industry: Cocoa, timber, rice, maize, fruit and industrial products are all attracted out of the country by the lure of convertible currency in neighbouring Ivory Coast and Togo. General Acheampong himself complains that Ghana is feeding her neighbours as well as herself.

What is frequently happening is that a Ghanaian company buys its imports very cheaply, at the official rate, and then smuggles manufactured goods out of the country to the CFA franc zone, making a large profit that the Ghanaian Government has effectively subsidised. Operation Counterpoint, to contain smuggling, has had only limited success. Its main effect has been to direct the attention of large and well organised groups of smugglers to the Ivory Coast rather than the Togo border.

Signs of discontent with the economic situation are growing. There has been a rash of strikes, the first for years. Bank employees struck for better pay and conditions in November and were followed a month later by dockers and manganese miners. A few weeks ago students at the country's three universities boycotted classes in support of 15 colleagues whom they felt had been overpenalised for striking over late payment of grants and bad food.

A warning by General Acheampong in January, that "a few among the armed forces" were deliberately misinterpreting Government policies, also suggests some dissatisfaction among the soldiers. There have been at least five attempted coups, the latest allegedly in January and led by sergeants and corporals. But General Acheampong—an able politician, as indicated by his Ashanti nickname, "the fox"—seems firmly in power, perhaps because there is no real alternative to him.

But the idea of a Union Government does indicate that the ruling Supreme Military Council recognises its limitations and feels a need to broaden its power base, perhaps hoping that wider participation may provide a way out of the difficulties that enmesh it.

It remains to be seen whether the desire for a return to democratic rule will be satisfied by a Union Government. Official statements equate it with a national Government, but there have been no indications whether General Acheampong will favour a unicameral or bicameral system or bring in a legislature at all.

The most likely formula appears to be some form of representation of countrywide groups such as professional organisations, trade unions and the like—including the military and the police. Political enthusiasm for the idea, after a spate of welcoming articles in the Government-controlled media last year, has been muted.

Ghanaians cannot be said to have flocked to take advantage of an ad hoc committee created in January to collate views on what form a Union Government should take, even though the Government says that all suggestions are acceptable. Many people are clearly reluctant to spell out the radical reforms they feel are necessary to cope with the most critical problem the economy.

The List of Applications will be opened at 10 a.m. on Thursday ... and will be closed at any time thereafter on the same day.

12½ per cent. EXCHEQUER ST[OCK] 1992

ISSUE OF £800,000,000 AT £96.00 PE[R CENT]

Payable as follows:

On application	£15.00
On Monday, 25th April 1977	£40.00
On Monday, 13th June 1977	£41.00
	£96.00

Interest payable half-yearly on 25th February and 25th August.

This Stock is an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Application has been made to the Council of The Stock Exchange for the Stock to be admitted to the Official List.

THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND are authorised to receive applications for the above Stock.

The principal of and interest on the Stock will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.

The Stock will be repaid at par on 25th August 1992.

[illegible]

Bank of England,
London.
18th March 1977.

THIS FORM MAY BE USED

For use by Banker or Stockbroker claiming commission—

(Stamp)

VAT Regn. No.
(if not registered put "NON")

The List of Applications will be Opened at 10 a.m. on Thursday, 24th March 1977 and will be closed at any time thereafter on the same day.

12½ per cent. EXCHEQUER STOCK, 1992

ISSUE OF £800,000,000 AT £96.00 PER CENT

TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND

The applicant named below requests you to allot to him/her in accordance with the terms of the prospectus dated 18th March 1977

£

[illegible]

SIGNATURE
of, or on behalf of, applicant.

March 1977.

PLEASE USE BLOCK LETTERS

SURNAME OF APPLICANT

Mr/Mrs/Miss or Title

FIRST NAME(S) IN FULL

ADDRESS IN FULL

[illegible]

LABOUR NEWS

Leyland talks start as men go back

BY TERRY DODSWORTH, MOTOR INDUSTRY CORRESPONDENT

THE 50,000 workers laid off by Leyland Cars during the toolmakers' strike returned to work yesterday as talks between the management, strikers' leaders and officials of the Amalgamated Union of Engineering Workers began in Birmingham.

Although Leyland was pleased with the turn-out yesterday, it will be several days before the factories can expect to return to normal working.

Very few production lines were running smoothly last night, partly because of maintenance problems, and partly because of shortages in the flow of materials.

Following the month-long dispute with the toolmakers, Leyland is now extremely short of car stocks. The indications are that it will lose market leadership this month to Ford, and will suffer even greater setbacks in April.

For some products, such as the Rover 3500, Leyland is now quoting more than six months delivery times, and there is a two or three month waiting list even for some of the popular models.

At the same time, the car importers are expected to take advantage of their strong stocks position in relation to both Leyland and Ford, pushing up their market share in the fairly buoyant market conditions. The market overall is expected to be about 10 per cent. up on March last year.

All employees in the car group received a letter yesterday morning from the Car Council, the top joint union/management body set up under the participation machinery.

The letter spelled out the message that the overwhelming task facing the company at present was to "prevent a massive cut-back in our operations." It went on: "There has been much speculation recently about the likelihood of plant closures and the loss of thousands of jobs. Let no one doubt that it can happen."

The Leyland objective now is to get back to the "normal" working target of a weekly output of 20,000 cars which was identified as the condition for further Government support for the company.

With the toolmakers' strike over, Leyland has a chance of getting back to these production levels by the end of the month. Meanwhile the talks with the toolmakers' leaders and two AUEW national executive members are continuing on the issue of differentials.

The talks, which are under the chairmanship of Mr. Geoffrey Whalen, personnel director, were described as an "exchange of views, not negotiations."

TUC aids Grunwick men

BY OUR LABOUR CORRESPONDENT

A LETTER of support and an offer of help to the union involved in a long recognition dispute at Grunwick Laboratories, a North London film-processing company, is being drawn up by the TUC for the approval of the TUC General Council to-morrow.

Various methods of supporting the Grunwick strikers were discussed yesterday at the TUC Finance and General Purposes Committee, attended by Mr. Roy Grantham, general secretary of the Association of Professional Executive, Clerical and Computer Staff (APEX) which is fighting the recognition battle.

No specific aid was decided, and Mr. Tom Jackson, of the Union of Post Office Workers, reminded the committee that his union had been taken to court when it blacked delivery of film sent through the post for processing by the company.

Midland bid to share profit with bank staff

By Michael Blanden

MIDLAND BANK is proposing to introduce a profit-sharing scheme for its staff to be implemented as soon as Government pay policy permits.

The bank would not release any details of its proposals, but it is expected they will be put to union representatives by to-morrow. The move follows considerable pressure from the National Union of Bank Employees.

Midland is the last of the big four banks to announce moves towards implementing a profit-sharing scheme. Two of the banks already have schemes in operation; National Westminster and Barclays put them into effect before the pay controls prevented any further such moves.

The sharp profit rises last year have brought substantial benefits for staff members of these banks, with the Barclays contribution to its scheme rising from £5.08m. to £7.18m. and NatWest's from £3.39m. to £7.78m.

Lloyds Bank recently announced that it had called in a firm of consultants to advise on setting up a scheme or schemes to enable group employees to receive rewards related to profits.

Bonus row halts four factories

A STRIKE by over 5,000 workers mainly women, halted production at four West Midland stereo equipment factories yesterday. At BSR plants at Cradley Heath and Stourbridge workers downed tools over an annual bonus payment made only to staff.

The company said that as the law stood it was impossible to pay the staff annual bonus to production workers not receiving it before 1975.

Preston dockers sit in at union HQ

BY OUR LABOUR STAFF

MILITANT DOCKERS from the threatened Preston Docks yesterday occupied part of the headquarters of the Transport and General Workers Union, in protest at its failure to declare an official national dock strike.

An unofficial strike called yesterday received only limited support, with dockers mainly from the North of England joining it.

Liverpool, Hull, Manchester and Clydeside were among ports at a standstill. Elsewhere, support was sporadic, with most dockers working normally.

The dockers decided to occupy the boardroom at Transport House, headquarters of both the TGWU and the Labour Party, after an unsuccessful meeting with senior union officials for the docks industry.

Mr. Phil O'Hagen, chairman of the union's Preston branch, said that the meeting only went over the history of the dispute rather than considering future action. "We felt we were getting the brush-off."

The dockers then demanded to see Mr. Jack Jones, union general secretary, who agreed to meet them last night.

The decision to shut the municipally-owned docks at Preston was taken by the Conservative-controlled council in November last year. The docks handled about 1m. tonnes of cargo last year but made a loss of almost £1.5m. Some 150 jobs are threatened by the closure.

London dockers gave mixed support to the strike call yesterday because they had received little support from other ports when they held a five-week strike two years ago over plans to introduce new dock handling methods.

More than 2,000 Tilbury dockers worked normally but the Royal Group was at a standstill. Strike leaders claimed that some 24,000 dockers were supporting the strike.

Brussels committee seeks more senior members

BY DAVID CURRY

PARIS, March 16.

THE COMMON MARKET'S Economic and Social Committee is beginning to sound out member States about the possibility of amending its constitution to encourage more senior union and industrial figures to take a more active part in its work.

The problem at the moment is that members of the committee who are senior union or business figures in their own countries cannot afford the time in Brussels demanded by the increasing volume of work. The answer might be to permit deputies for the ordinary work of the committee but to encourage national figures to participate in its more important activities.

Recommendations both from the TUC and the European Federation of Trades Unions have leaned towards a similar idea, and reform of the committee is now being cautiously broached by its new president, Mr. Basil de Ferranti of the U.K.

The factors that seem to weigh with him particularly are the expected arrival on the Community scene of a directly-elected European Parliament in 1978, and the fact that membership of the committee is due for renewal next year.

Mr. De Ferranti has just spent three days in France seeing Government, industry and union representatives.

● NEWS ANALYSIS — POLICE PAY

Waiting for the Tories

BY DAVID CHURCHILL, LABOUR STAFF

A demonstration police were happy to escort: 700 men's wives marched to the Commons in protest at ...

TO-MORROW NIGHT about 2,000 police officers from all over the North of England will be told, at a special meeting in Middlesbrough, that the long-running police pay dispute has now reached deadlock with no new initiatives to pursue.

But, ironically, the ... of the 115,000-member Police Federation in England ... for a settlement now ... developments on the same ... at Westminster. It is no secret that the Tories believe the police have a fair case for improving their pay and conditions and that a new Conservative Government at this stage would treat their claim favourably.

However, if political developments do not overtake the police pay claim then the stage seems set for a stormy May conference of the Police Federation at which delegates will press for a more militant line.

Already the extent of grass roots feeling over the issue has led several police forces to hold impromptu referendums which have revealed overwhelming support for statutory changes enabling the police to strike. (This right, along with membership of the TUC, was taken away from the police by the Police Act of 1919 after successive strikes by a few hundred police over pay. The Police and Prison Officers Union was disbanded, the strikers dismissed from the force and the Police Federation set up.

In 1974 a working party unanimously concluded that police pay had been seriously eroded and, armed with its findings, the Federation was able to negotiate what seemed at the time massive increases of about 28 per cent.

But as it subsequently points out, these increases were just about in line with the average for most other workers during the period before the pay policy clamp-down.

Agreement on the rises was reached on June 4, 1975, for implementation on the traditional settlement date of September 1. But before then the Government introduced its first pay policy giving flat-rate rises of £6 a week.

However, the Government made a special exception of the police because of fears that a blocked pay settlement would seriously exacerbate police manpower shortages at that time—before the recession took hold—and allowed the settlement to go through.

The Police Federation negotiators then believed the second stage policy the following summer would provide transitional arrangements for the police and other groups caught in pay anomalies. But it soon became clear during 1976 that there would be no such arrangements.

At the July, 1976, meeting of the Police Council, the joint negotiating body, the staff side were told that there could be no £6 rises as the settlement date fell within the new policy giving rises of between £2.50 and £4.

Subsequently, the Federation withdrew from the Council and sought separate negotiations with the Home Office.

So having withdrawn from its only negotiating body—the Police Council—the Federation found itself in a difficult position as the Home Office showed little inclination to bargain separately.

Eventually Mr. Merlyn Rees, the Home Secretary, was forced to meet the Federation and it looked at one stage as if the police were prepared to reach a negotiated settlement with the Home Office. But, earlier this month, Mr. Rees abruptly broke off talks after pressure from the local authorities and told the Federation it must nego... the Police Council and ... the Stage Two increase.

Mr. Callaghan, who ... former adviser to the P... said the same when the... two weeks ago.

If no change of Go... materialises to offer th... way out to their proble... would be pressure ... Federation's leaders to ... claim quickly — giving ... that lump sum increase ... pay and then to push a... attempts to change both ... stitution and structure ... Federation and the Pol... cil negotiating system.

The Prime Minister h... promised such a revie... while not giving the p... right to strike, would ... Federation a greater ... autonomy and power i... tions. And the police w... to see some system ... their pay to other ... through a similar syste... Civil Service pay rese... as a long-term means ... taining their differen... living standards.

But, until this happe... frustration and bitter... only increase.

DKB'S ECONOMIC JOURNAL

March 1977: Vol. 6 No. 3

Expectation is placed on effectiveness of Government business recovery steps

Japan's economy, which began to show signs of a tangible rally at the start of 1975, has entered its second "pause" since the middle of 1976.

The domestic economy managed to counter the first pause—from autumn through winter of 1975—on the strength of brisk exports. However, no such support appears expectable from any major demand factors in the process of the current pause.

Under the circumstances, only slight expectations are being pinned on a series of business bolstering programs announced by the Government since last autumn.

Production & shipments

Both the mining-manufacturing production index and the shipment index (seasonally adjusted) registered a slight decrease in December.

The increasing tempo of quarterly mining-manufacturing production (over the previous quarter on a seasonally adjusted basis) in 1976 continued to slow down, standing at 5.8 per cent in the January-March quarter, 5.4 per cent in the April-June quarter, 1.1 per cent in the July-September quarter and 0.9 per cent in the October-December quarter.

The growth of mining-manufacturing production thus has continued to slacken gradually mainly because of the slowdown in the increase of ultimate demand.

Studying the trend of mining-manufacturing production in 1977 on the basis of the production forecast index, the production index is estimated to register a decrease of 2.8 per cent in February, on a seasonally adjusted basis, after an increase of 2.4 per cent in January. This bearish forecast is based on the expectable standstill of personal consumption expenditure (which incidentally accounts for over 50 per cent of gross demand) and the prospective decrease of inventory investments, although housing construction, fiscal expenditure and private plant and equipment investments are likely to start modest rallies.

Consumer spending

The slump in personal consumer spending has been protracted. For example, the increases of the average note issue balance and department store sales over the year-ago level slowed in November, 1976, from October and further in December. The increase of the average note issue balance in January, this year also dipped below the December (1976) gain. It appears that seasonal bonuses for wage earners last winter failed to shore up personal consumption expenditure.

Studying the recent trend of consumption expenditure on the basis of the "Household Budget Survey," consumer spending by common households and wage earners' households (the low-bracket income stratum) has been relatively favorable. The increase has been particularly brisk in the case of the low-bracket income stratum apparently in reaction to the conservative increase in the preceding two years over the year-ago level (3 per cent in 1974 and 11 per cent in 1975).

In contrast, consumer spending by wage earner households (the high-bracket income stratum) has been extremely sluggish, apparently in reaction to the high increase in the preceding two years (41 per cent in 1974 and 20 per cent in 1975). The expenditure in this sector has declined since April, 1976, providing a major cause of the continued standstill in consumer spending as a whole.

According to the "Household Budget Survey," the average real monthly income of wage earners' households, including disposable income, has begun to make a rally from the slump in the July-September (1976) quarter since last October.

However, the propensity to consume, which had continued to increase over the year-ago level successively for the preceding eight months, has begun to slump, and consumer spending also has continued to mark time. This trend is considered attributable to the fact that the recovery of income since last October has been mostly centered on the medium- and high-bracket income strata.

The consumption behavior of households may start to change, depending on the outcome of the forthcoming spring labor offensive for higher wages. However, the stagnation of personal consumption expenditure is likely to continue if the behavior of the high-bracket income stratum does not make a specific change.

Fiscal outlay & housing

However, fiscal expenditure and housing construction are likely to take a favorable turn from the January-March quarter in view of the expectable policy effect of the seven-point business bolstering program adopted last November and the start of the supplementary budget in February, this year.

In the fiscal expenditure phase, the payment out of the expenses related to public works projects registered a sharp increase of 38 per cent over the year-ago level in January, this year, after a 6 per cent decrease in the October-December quarter of 1976. An equally comfortable increase is considered likely in the January-March quarter as the additional outlay of the public works expense and the partial revival of construction projects by Japanese National Railways and Nippon Public Telephone & Telegraph Corporation under the supplementary budget are expected to take effect gradually.

Later developments in this sector will depend on the timing and the form of the national budget for fiscal 1977, which is yet to be approved by the Diet.

Housing construction projects in recent years have become more heavily dependent on loans by the Housing Loan Corporation. The addition of loans for 50,000 houses in fiscal 1976 and the new appropriation in fiscal 1977 for over 240,000 residential houses are expected to prove effective.

Housing starts last November registered a sound increase of 7.5 per cent over the year-ago level, up encouragingly over the comparable gain of 3.0 per cent in October.

Regarding these housing starts, classified by financing phases, the increase of private funds over the year-ago level declined to 10 per cent in October, 1976, from 16 per cent in the preceding July-September quarter and further slackened to 9 per cent in November. Housing construction by owners in November, 1976, also registered a decrease of 8 per cent from a year ago for the fourth consecutive month.

Housing construction projects based on the additional loans for 50,000 units by the Housing Loan Corporation are scheduled to start from about this month. Accordingly, the recovery of housing construction projects is likely to continue to be a plus factor for the domestic business rally.

Private capital outlay

Private plant and equipment investments appear to be continuing a gradual rally, although at a slow tempo.

Shipments of capital goods (exclusive of transportation machinery) have continued a sound increase since early 1976. Such shipments (seasonally adjusted) registered a sizable increase of 7.3 per cent over the previous month in November, 1976, followed by a modest 2.2 per cent gain in December.

As the basic keynote of demand has been weak, however, the increasing tempo of such demand factors may run out of steam at any time. Nevertheless, the slow but steady recovery in this sector should continue in view of the following recent trends: 1) Money has continued easy; 2) The leadership of increasing investments has been taken by industries reaping high profits, such as electric power, transportation machinery, electric machinery and service professions; 3) Leading business indicators, such as new machinery orders and construction contracts, have continued bullish.

As for the course of inventory adjustments, both inventories of manufactured products and inventories of raw and processed materials have continued to show comfortable gains. In this sector, however, the process of adjustment is likely to continue for some time, although the trend of ultimate demand is expected to hold the key.

Export rallies

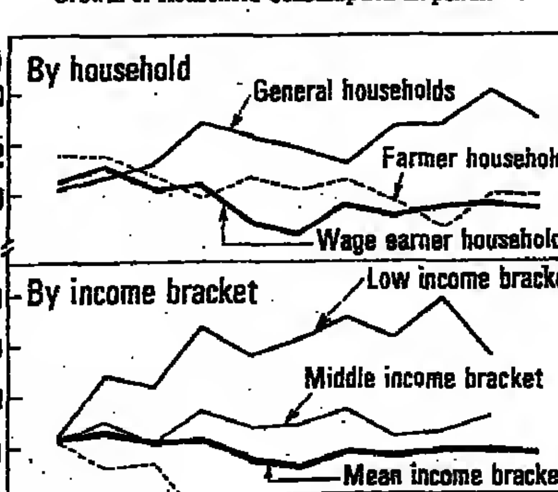
The quarterly increase of export trade slowed to around 2-3 per cent over the previous quarter in 1976 after a sharp gain in the January-March quarter. However, export trade in December, 1976, made a sound gain of 5.6 per cent over the previous month, and the comparable increase rose higher to 11.4 per cent in January, this year.

Export letters of credit received, a leading indicator of export trade on a customs clearance basis, registered a small decrease on a seasonally adjusted basis in the April-June quarter from the previous quarter and again in the July-September quarter. In the October-December quarter, however, they recorded a gain of 3.8 per cent over the previous quarter. A further increase of 5.3 per cent was registered in January, this year over a month ago.

This is encouraging news for the business recovery, but excessive dependence on export trade is likely to invite more criticism from Western countries.

Under the circumstances, the latest rally of export trade is likely to prove short-lived due to restraints, such as the rising of the yen exchange rate and the criticism against Japan's export offensive by Western countries.

Growth of Household Consumption Expenditure



Source. Finance Ministry and Agriculture & Forestry Ministry

World Value of the Pound

The table below gives the latest available rates of exchange for the pound against various currencies on March 21, 1977. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Exchange in the U.K. and most of the countries listed is officially controlled and the rates shown should not be taken as being applicable to any particular transaction without reference to an authorised dealer.

Abbreviations: (S) member of the sterling area other than Scheduled Territory; (k) Scheduled Territory; (o) official rate; (...) rate; (T) tourist rate; (o.c.) non-com... rate; (n.a.) not available; (A) approxima... no direct quotation available; (sg) selli... (bg) buying rate; (nom.) nominal; ... exchange certificate rate; (P) based ... dollar parities and going sterling doll... (Bk) bankers' rate; (Bas) basic rate; ... commercial rate; (cn) convertible rat... financial rate.

Sharp fluctuations have been see... in the foreign exchange market. Rates ... table below are not in all cases closing ... the dates shown.

Place and Local Unit		Value of £ Sterling	Place and Local Unit		Value of £ Sterling	Place and Local Unit		Value of £ Sterling
Afars & Issas	Djibouti Franc	280 (sg)	Germany West	Deutschemark	4.10¾	Paraguay	Guarani	[illegible]
Afghanistan	Afghani	90 (A)	Ghana (S)	Cedi	1.9552	P'ple's D. Rp. of Yemen (S)	S. Yemen Dinar	[illegible]
Albania	Lek	(O) 10.10 (A)	Gibraltar (K)	Gibraltar £	1.0	Peru	Sol	[illegible]
Algeria	Dinar	7.09	Gilbert Is.	Aust. Dollar	1.5675	Philippines	Ph. Peso	[illegible]
Andorra	French Franc	8.56½	Greece	Drachma	63.374	Pitcairn Is. (S)	£ Sterling	[illegible]
	Spanish peseta	114.00	Greenland	Danish Kroner	10.05		New Zealand $	[illegible]
Angola	Kwanza	n.a.	Grenada (S)	E. Caribbean $	4.6577	Poland	Zloty	[illegible]
Antigua (S)	E. Caribbean	4.6577	Guadeloupe	Local Franc	8.56¼	Portugal	Port. Escudo	[illegible]
Argentina	Ar. Peso Free Rate	581.89	Guam	U.S. $	1.7177	Port Timor	Timor Escudo	[illegible]
Australia (S)	Australian $	1.5675	Guatemala	Quetzal	1.7177	Principe Isle.	[illegible]	[illegible]
Austria	Schilling	28.10	Guinea Rep.	Sily	38.134	Puerto Rico	U.S. $	[illegible]
Azores	Portug. Escudo	66.475	Guinea Bissau	Peso	66.5508			
			Guyana (S)	Guyanese $	4.3601			
			Haiti	Gourde	8.5885			

The Management Page

EDITED BY JOHN ELLIOTT

Christopher Lorenz discusses the risks inherent in attempts being made to create a European industrial strategy for microelectronics

A quest for entrepreneurial freedom

the past nine months, a of top businessmen and servants from several ean countries, including . have been meeting rly to plot Europe's in micro-electronics. ying all their discussions a possible joint pro- is growing alarm at ned American domina- this key technology, will, according to Herr Matthoefer, Germany's ology Minister, be "vital ountry's future industrial ..."

to now, many of the pants seem to have been g for a formula which combine greater Govern- subsidies with cross- collaboration on the of microcircuit users, as manufacturers. A lead- French industrialist ed up the view of many recently when he d that the necessary anti- to U.S. domination could pressed in one word—

ed with massive State g of their competitors in .S. and Japan, the top of the European micro- onics industry can be for- for pressing their finan- aims so hard. But, as with past attempts to formu- ndustrial strategies, there evere risk that the attrac- of greater economies of and increased Govern- support could obscure the for less obvious but y important changes, of them in managerial ure and style.

ollapse

neglect of such factors nullify any amount of money; many govern- have found this to be a wide range of industrial s. One of the most obvious examples was the col- of Unidata, the Franco- an-Dutch computer alli- because its structure was ose to be effective and rench had political objec- to the only manageable n.

y critics would also argue several national pro- nes for microelectronics in Britain as much as France and perhaps also West Germany, have been largely wasted because too little attention was devoted to managerial aspects such as how public money was applied, or how the products were marketed.

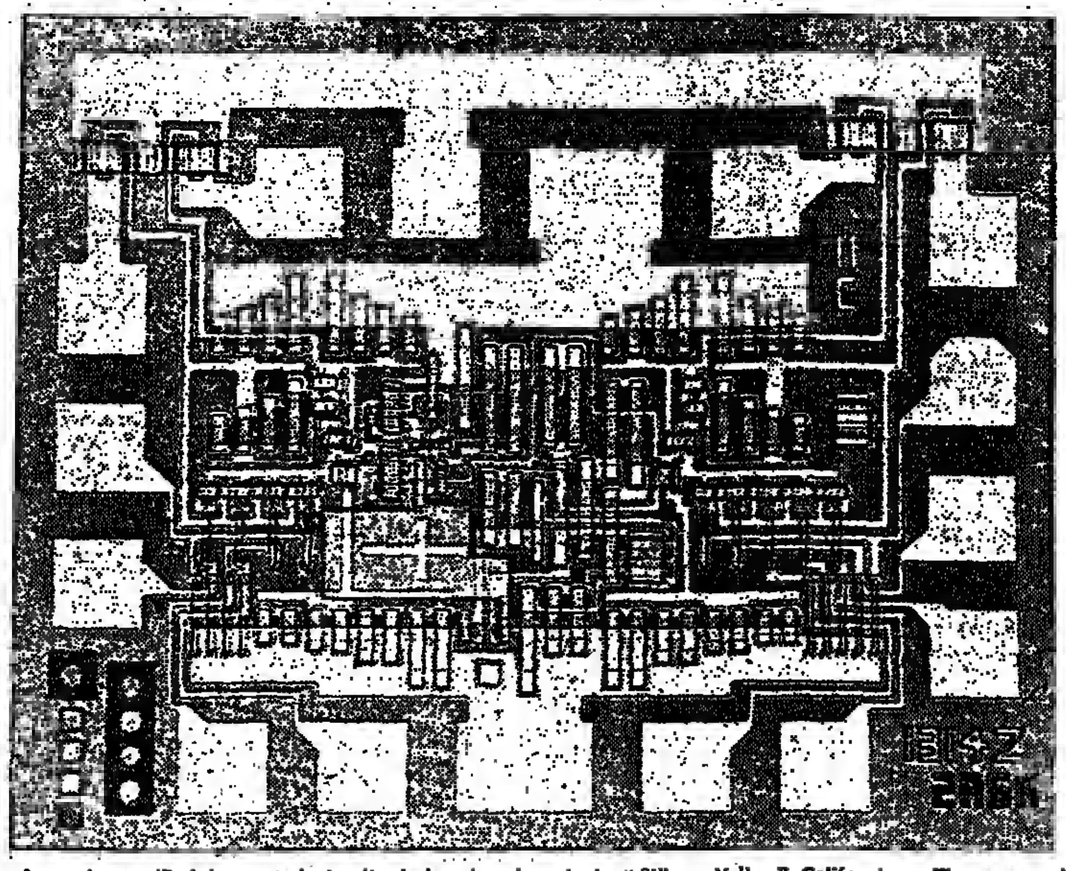
The risk of an even more spectacular and expensive failure this time round, if a European microelectronics programme gets off the ground at all, has now been lessened by the presentation to Governments of a consultancy report which devotes particular attention to the human and managerial sides of the argument.

The bulk of the report is still secret because of its sensitive nature, but even some of its published proposals are extremely controversial. For example, it emphasises that European micro-electronics companies "cannot succeed until their managements are vested with the same degree of entrepreneurial freedom as their American competitors."

Rather than being a reference to the well-debated problem of low financial incentives for the individual in some European countries, this is directed at the need for speedy decision-making — on everything from product development through multi-million pound investment to marketing —which is the hallmark of the U.S. approach to this fast-moving technology.

The statement could hardly be more controversial, since the leading European micro-electronics companies are part of a series of major electrical and electronic combines, such as GEC, Philips and Siemens. The last two are notoriously committee-ridden. This may well be the safest approach to heavy electrical engineering, or even electronic defence systems, but it can become a brake and a burden in microelectronic components, where the business is dominated by independent specialist American firms in which quick decisions are taken by one man or just a handful of individuals.

Another controversial aspect of the consultancy report is that there is no mention whatever of one of the ideas which has



A much-magnified integrated circuit, designed and made in "Silicon Valley," California. The engraved circuitry is becoming more complex and intricate as every year goes by. Selling prices continue to fall, but cost of entry into the technology is steadily increasing—a daunting challenge to many European companies.

been most canvassed (by the EEC Commission in particular). This is encouragement for European microelectronics users, such as Post Offices and Defence Ministries, to harmonise their technical specifications in order to make component design and manufacture more economic in Europe. The implication is that the consultants doubt the effectiveness of such an approach.

The 900-page report was originally commissioned by Herr Matthoefer's Ministry, but was later co-sponsored by the governments of France, the Netherlands and the U.K., as well as the European Commission. It was carried out by Mackintosh Consultants, a British company headed by one of the country's most experienced microelectronics engineers, Dr. Ian Mackintosh.

After many years' research in the U.S., he headed the microelectronics operations of Elliott Automation for four years in the 1960s, until two takeovers in quick succession gave control to English Electric and GEC in turn. The latter's decision to cut back its microelectronics activities removed much of the scope for entreprenurial freedom, so Dr. Mackintosh's insistence upon it as the crux of Europe's current problem is backed by his personal experience as well as by cold analysis.

Dr. Mackintosh admits that his report calls for radical changes in the structure of the European industry, as well as substantial government support of a European programme. He is unable to reveal the study's detailed proposals because of their confidentiality, but his own views are obviously likely to be along very similar lines.

First of all, he argues that there must be some form of merger between some European microelectronics companies. Then, one must bring some of the new entities together in a fashion which provides the benefits of collaboration without impinging too far upon their independence. The next stage of his argument is that, whereas the diffusion of technology between firms in the U.S. is ensured by high personnel mobility, the lack of mobility in Europe means that companies must put much more investment into basic research.

For independent companies to co-operate successfully on a sustained basis, collaboration must be confined to areas which are remote from the marketplace, Dr. Mackintosh argues. This may seem obvious, but his view is not universally shared by electronics companies, who have many a joint marketing arrangement on specific products.

He goes on to propose a European Semiconductor Co-operative, which would bring several independent companies together, with government funding, to work on a programme of basic product research (new types of memory, for example), leaving the development stage to their individual efforts.

Only in the less sensitive area of production equipment would research and development be carried out jointly. This proposal draws on Japan's experience with its $400m. inter-company microelectronics programme, but Dr. Mackintosh could be accused of paying too little attention to the peculiar reluctance of European scientists to share their research with others.

Government support should be given to specific product programmes, he argues, covering marketing as well as product development (to which most European aid so far has been confined). Government money should also support the mergers which he advocates as the starting point for this entire programme.

Senior officials in the German Technology Ministry have already expressed some doubts about whether Dr. Mackintosh is realistic in pressing for entrepreneurial freedom for the managers of Europe's microelectronics industry. One way the change might be made, he suggests, is through the very process of merging. The only feasible way for two competing systems companies to merge their microelectronics subsidiaries may be for them to agree to treat the new company as an independent entity, so that neither has a greater influence. This is understood to have been one of the main debating points in the drawn-out discussions between Plessey and Ferranti, for example: if the talks are successful, both parent companies will have to relinquish considerable management control over their microcircuit activities. On Dr. Mackintosh's thesis (though he will not comment on particular cases) this would be to the advantage of everyone concerned.

Calibre

If such an approach is to work, everything will depend on the calibre of a few powerful individuals. These managers will have to be as brilliant and skilful as the handful of people behind such U.S. successes as National Semiconductor and Intel. Dr. Mackintosh is confident that there are enough Europeans of the right sort just waiting to be given the chance of running an independent company.

He is far less positive about the EEC Commission's idea of "organising the market." This is jargon for persuading major European users of microcircuits to harmonise technical specifications, so that the circuit manufacturers could tap a larger market for each product design, and thus gain economies of scale similar to those enjoyed by their U.S. competitors. Dr. Mackintosh sees this argument as "to a large extent a red herring," since such harmonisation would only be practicable in public sector markets which will never be large enough to have a significant effect on the overall cost equation of a large microcircuit manufacturer.

Harmonisation would also take a very long time, he argues, and even then it would be politically difficult to exclude U.S.-owned suppliers with large European manufacturing facilities.

This scepticism seems to be supported by the initial experience of the most successful component standardisation grouping to be established by a few major microcircuit users. Called STACK, it was set up 2½ years ago by four computer manufacturers: ICL, Plessey, Control Data of the U.S., and Nixdorf of Germany. It has already saved them substantial sums on the choice, supply and testing of circuits, and they have just formulated a joint specification for complex memories. They will continue to take these, and other products, from the U.S., however, until the Europeans can offer the latest products as quickly and at similar prices.

So this type of grouping benefits the participants, but not necessarily the local component manufacturers. If Dr. Mackintosh is right, the onus must be on the microelectronics makers themselves to improve their competitiveness, with the help of government support and major changes in management structure.

Communications within a multinational workforce

A TRAINING package aimed at helping supervisors, shop stewards and personnel staff to overcome some of the problems associated with managing a multinational workforce has been put together by the BBC in conjunction with the Runnymede Trust and the National Centre for Industrial Language Training.

The package is called Worktalk and it concentrates on the difficulties of communicating with people from different linguistic and cultural backgrounds. It consists of four films plus a manual for training staff and it tries to explain why misunderstandings sometimes arise between immigrants and indigenous British workers. The films have been recommended by the TUC.

One of them is called "Fred Barker Goes to China" and it envisages a time when unemployment in the U.K. is so bad that Englishmen have to emigrate in order to find even low grade jobs. The film follows the fortunes of a Londoner who goes to China to work as a hospital cleaner. He speaks no Chinese and his knowledge of his host country is based almost entirely on three visits to the cinema in England to see "The Bride of Fu Manchu."

His life as an immigrant worker mirrors the experiences of Asians and West Indians who take jobs in Britain to-day. What gives the film its punch is the way in which racial roles have been reversed.

Another of the films, called "Singh 171," is a case study of a Sikh worker in a present day British factory. It stresses the need for supervisors and personnel managers to know their immigrant workers as individuals. It also shows that if they do not take the trouble to do this their man management is likely to be thoroughly inefficient.

The central character in the film is known as Singh 171 simply because nobody has bothered to ask his other name. There are a number of men named Singh on the top floor and the British supervisor calls them all by their work numbers in order to distinguish one from another.

The supervisor—and the personnel manager—do not realise that Singh 171 is a Sikh because he has cut his hair in an attempt to adapt to life in Britain. What is even worse is that the Englishmen are ignorant of the fact that their immigrant workers speak a number of different languages. Yet this ought to be an important factor when, as the film shows, they come to consider whether or not Singh 171 should be promoted to chargehand.

The Worktalk trainers' manual gives additional background on the characters portrayed in the films and it includes lists of questions designed to make viewers work out why the people on the screen behave as they do.

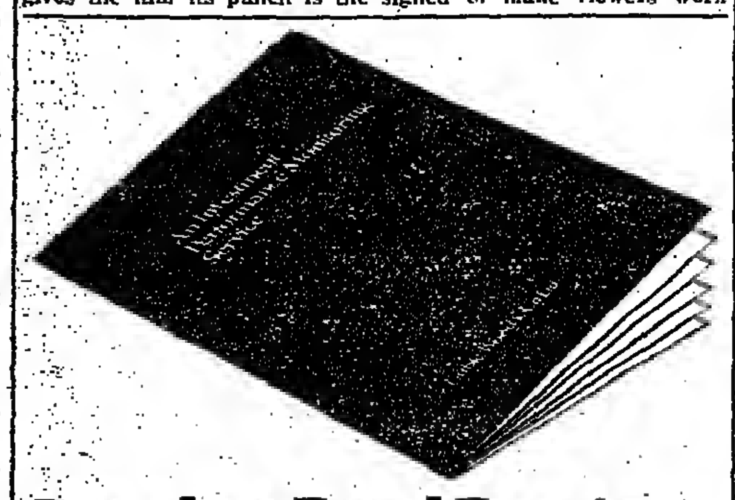
The manual includes suggestions for role playing exercises and for group discussions. One idea is for people following the Worktalk course to hold a post mortem on the way in which a chargehand was appointed in Singh 171.

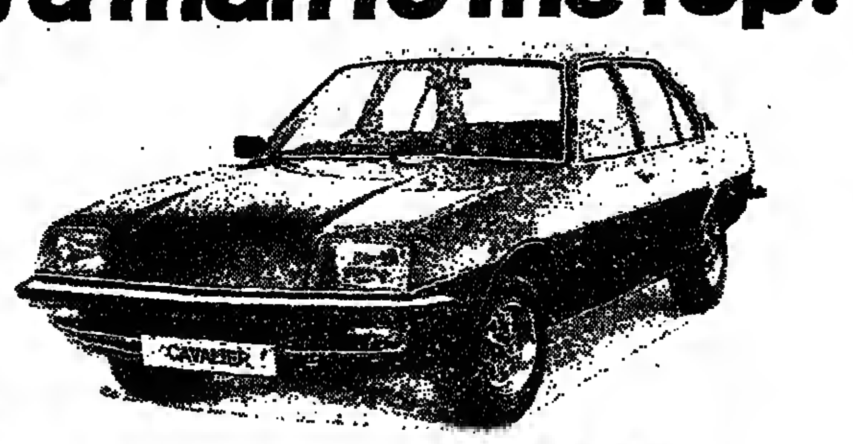
One section in the manual gives general information on immigration and race relations. It is designed to help training staff give authoritative answers to some of the questions they are likely to be asked by people on the course.

The manual also provides a check list on prejudice towards Asian immigrants which includes such remarks as "They came here because of the terrible poverty in their own country" (wrong—it is only people from the richer parts of the Indian sub-continent who can afford the costs of emigration) and "They never say please or thank you" (correct—in some circumstances—because in the Punjabi language there is no direct equivalent of the English "please" and "thank you" and politeness is conveyed by using different forms of the word "you").

The trainers' manual costs £3 and is available from: The Runnymede Trust, 62 Chandos Place, London, WC2. The four Worktalk films to be shown on BBC 2 in April are available for hire or sale as 16mm. films, or for sale only as videotape cassettes. Inquiries about the films should be made to: BBC Enterprises, Villiers House, Ealing Broadway, London W5 2PA or telephone 01-743 8000 ext. 394/395. Some management centres, polytechnics and further education colleges will also have the films.

Sue Cameron





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TUESDAY, MARCH 22, 1977

The Liberal choice

THE SUPPORT which the Labour Government received from the nationalist partiea while there was still a chance of pushing through early legislation on the devolution issue has disappeared since it became clear tbat there is not a majority in the present House of Commons in favour of devolution as far-reaching as the Scottish Nationalists, in particular. demand. To survive Wednesday's vote of confidence, therefore, the Government will have to rely largely on the Liberals for their support, and it is not at all certain that conditions for support can be agreed which are acceptable to both sides.

The assurances on specific measures which Mr. Steel has mentioned are probably not the main stumhling-block. Some—such as direct elections to the European Parliament with some kind of proportional representation—might be passed through Parliament. Others—such as legislation ahout industrial democracy along Liberal lines—would not be pushed in practice, simply because they would not command a majority in the present House. Nor are insuperable difficulties raised by Mr. Steel's demand that Lahour should not introduce more legislation of an acutely controveraial kind. After its failnre on devolution, the Government is not in any case able to do so.

Open commitment

A much more serious problem for Mr. Callaghan lies in Mr. Steel's demand tbat the Government should not only change course during the remaining period of this Parliament but ahould make an "open and public" agreement to do so. One need not interpret this demand in the sense that Labour would beve to give tbe Liberals a written assurance of its readiness to accepl any terms they cared to lay down: no Government could be expected to accept such conditions and, if thla is whet Mr. Steel has in mind, no co-operation is possible. But a considerable part of the Labour Party, especially on the left, has a strong atavistic prejudice against taking part in a peacetime coalition, and any open declaration of intent would irritate this prejudice enough to make for great strains within the Party.

But the strains exist in any case. The more they are brought out into the open, the healthier in the long run are likely to be both tbe Labour Party itself and the political system of this country. Mr. Callaghan has shown far less inclination than his predecessor to pander to the lcft and it is probable that he has a hetter chance of changing the complexion of the Party in office than in opposition—more particularly since experience of nffice has belped to split the Parliamentary left itself into intransigent and more moderate factions. If this is the direction in which Mr. Steel hopes to push tbe Labour Party, there may well be scope for a temporary accommodation.

Different views

But he has. of course. the interests of the Liberal Party to consider as well, a party which is itself by no means monolithic. There will be different views within the Parliamentary Party. aa well as within the Party as a whole, about whether the Liberals can best exercise and demonstrate their importance by influencing (if mainly in a negative way) the policies of a minority Labour Government or by bringing that Govarnment down, about whether they have more to gain from an immediate general election or one in some months' time. Mr. Steel cannet afford, however, given the growing scepticism of the electors about all political claims, to have forgotten altogether by Wednesday the demand he made only three days before. Mr. Callagban will have to make his followers accept some form of words adequate to meet that demand if he wisbes to count on Liberal support.

New gains for the French Left

THE FINAL RESULTS of the French municipal elections have produced another severe shock for the divided coalition Government of President Valéry Giscard d'Estaing. Instead of rallying to the Government, as French voters often do in the second round of polling, the electorate has moved even further to the Left than in the first round one week before. The combined forces of the Socialist-Communist Opposition have captured over two thirds of the country's most important tnwn halls with a national average of around 52 pcr cent. of the total vote. A similar result in next year'a general electinns would deprive the Government of its overall majority and almost certainly lead to the installation of M. François Mitterrand, the Socialist leader, as Prime Minister.

'Red threat'

Once again the results of the second round have underlined the unity nf the left, as against the bitter feuding that has raged inside the governing Coalition in recent weeks and months. One nf tha most striking features was the way in whicb Socialist supporters switched their votes en masse to Communist candidates, and Socialists to Communists, when their own party stepped down to ensure a left-wing victory. The strength of this phenomenon, which helped to give the Communists a furtber 12 majnr towns, is perticularly worrying for the Government as it would seem to suggest that large sections of the French electorate are now much less frightened than in the past by the possibility of tbe Cnmmunists gaining power. Exploitatinn of the "red threat" has always hitherto been a powerful weapon in the Gaullist electoral armoury.

This changing attitude towards the Communists, at least among left-of-centre voters, suggests that M. Georges Marcbais, the Communist leader, has chosen the right tactics in deciding to establish a more democratic "Euro-Communist" image along tbe lines of his successful Italian counterpart, Sig. Enrico Berlinguer. The development is just as worrying for M. Giscard d'Estaing as it is for his Gaullist partners, and is bound to render his loog-standing aim of governing from the centre more difficult.

The clear signs are that if the Left wins next year, the Preaident would like to detach the Socialists from the Communists and form a broad coalition that would also include the centrist parties and his own supporters, hut not the Gaullists. This would enable him to carry on as a politically active President with a power base in Parliament and the country. But M. Mitterrand may not find it easy to ditch the Unlon of the Left if Communist support is growing. If he rejects the alternatives of stepping down or calling new Presidential elections, M. Giscard d'Estaing might then face the prospect of sitting out the remaining tbree years of his mandate in splendid isolation as a figurehead President, with M. Jacqoes Chirac, the Gaullist leader, aiming fnr the Elysée from tha Opposition ranks in 1981.

Backlash

It is not, of course, a foregone conclusion that the Left will win next year. A Right-wing backlash could still emerge in the coming montha as the country digests the full implications of the municipal vote and the growing power of the Communists in the town halls. M. Chirac still believes that a tougb onslaught on the Left, rather than the softer approach of tbe President, will do the trick. But even in Paris, where M. Chirac fought a hard campaign fot Mayor, the Lefi moved up to a record 45 per cent. share of the total vote. The first priority for the Government coalition must now be to patch up the internal dissensions that undoubtedly contributed to the Left'a advanca in the latest poll. But it will not be easy and time is short.

Mrs. Gandhi's day of reckoning

BY DAVID HOUSEGO • New Delhi, March 21

INDIANS ARE still overwhelmed by their first election to result in a national defeat for tbe Congress Party which steered the country towards independence and has ruled it ever since. The outcome ended 19 months of emergency rule and demonstrated that the villager and the urban slum dweller in a country of 630m. can still raise his hand in defance of his rights and win his cause. It has humbled Mrs. Indira Gandhi, a Prime Minister who only a few months ago seemed an immovable feature of the Indian landscape.

To a prominent lawyer bere in New Delhi the vote represents "the largest ballot box revolution in the history of the world." There may be a good-deal of exaggeration in that, but it is part of the euphoria that to-day runs through tbe opposition. The scale of the success of the Janata Party and of Mr. Jagjivan Ram's Congress for Democracy in bringing about this sea-cbange in only a few weeks' campaigning meens that no other Indian politician for a long time to come is going to risk repeating Mrs. Gandhi's type of dictatorial rule. The argument whether the emergency had opened a more authoritarian chapter in India's political history—the main issue of the election—or whether there would be a reversion to democratic traditions has been firmly settled in favour of democracy. It may be an anarchic and muddled democracy, but Indians have good cause to claim that democracy has taken root.

As the vote was still being counted on Sunday night the acting president, Mr. B. D. Jatti announced on the advice of the Cabinet that emergency rule had been ended. That means that the political prisoners detelned under the Maintenance of Internal Security Act (MISA) will be released as tbe Government no longer has the power to hold them without trial. The majority of the 5,000-6,000 people still in gaol as a result of the emergency are likely to profit, and most of the 15,000 who were imprisoned before it.

Most of the political prisoners are members of the Rashtirya Shyambewak Sangh (RSS), the militant arm of the Right-wing Hindu Jana Sangh Party, one of the partners in the Janata front. Mrs. Gandhi helieved that the RSS was largely responsible for creating communal tension, and that in outlawing the organisation she would win the support of the country's Muslims.

Those arrested under the Defence of India Act may still he detained. That is expected to he revoked by ordinance aoon, once a new administration is formed. Until it is, Press censorship officially remains in force though in practice newspapers are able to disregard it.

The credibility of the Janata rests on fulfilling the election pledge of an early repeal of the amendments to the Conatitution that Mrs. Gandhi pushed through during the emergency and which the Janata roundly denounced as leading to an abuse of power. This will be one of the first priorities of the new Government when the Parliament meets. Some of the legislation—like MISA itself and the Objectionable Publicationa Act which controls the Press—can he repealed by a simple majority vote. They are not part of the substance of the Constitution. But restoring the power of the courts to challenge the executive, reviving the supremacy of the fundamental rights and dismantling the power that bas been loaded onto the Prime Minister and the Council of Ministers require a two-thirds majority as well as the approval of the Upper House and of the State legislature, both of which are firmly in Congress hands.

The Janata Front should have little difficulty in either the Parliament or the Upper House—those who trooped through the lobbies in support of Mrs. Gandhi's Bills can be expecled to troop back to reject them, and it would he a bold Congressman who resisted after the trouncing given to Mrs. Gandhi. The legislation would also have to pass through the State assemblies. This could well provide the excuse for calline for early State elections which in any case are overdue. The Janata wants to back up its control of the mechinery of central Government with taking power in the provinces while public opinion is still running atrongly in its favour. Thus India could be back at the polls in two or three months. The State assemblies have an important say in electing a new president.

The momentum of undoing Mrs. Gandhi's work is likely to bind the Janata Party and its allies together through the initial months of power. Mr. Jayaprakjasb Narayan will undoubtedly be a force for unity. He is aged and ill but his moral stature brought the Opposition together in the first place, and be is now preaching the need for a more ethical government than the country has had in the last two decades. But beneath the surface there lie differences of view, style, and ambition that over the months are likely to prove an increasing strain and a factor for instability.

Mr. Jagjivan Ram is, paradoxically a disappointed man. More than any other person in the Opposition he was responsible for rousing public opinion against Mrs. Gandhi across the Hindi belt in northern India, in the hope that his Congress for Democracy would provide the pivot for reuniting the Congress Party under hia own leadership. As it turned out his campaign was almost too successful. The Janata Party has heen strengthened to the point where he will play second fiddle to Mr. Morarji Desai, its leader, whila leaving the Congress a pitiabla rump after its domination of the previous Parliament. Skilful politician that he is, Mr. Ram could atill out-manoeuvre Mr. Desai and later recapture the premiership which has long been the goal of his political career.

The leading members of the Janata Party seem at first sight strange bedfellows. Mr. Desai was a former Deputy Prime Minister under Mrs. Gandhi, an intellectual of strong moral views, a champion of prohibition who lives simply and expects the same virtues and self-discipline of others. His reluctance to compromise has often hrought him into conflict with his colleagues in the past.

He is associated with right-wing capitalism and was accused in the past by Mrs. Gandhi of opposing the nationalisation of the banks. After spending several years in the political wilderness, including 18 montha of gaol during the emergency, he has mellowed and become an astuter politician into the bargain, in the view of most of his colleagues.

Numerically Mr. Desai's dissident Congress group in the Janata is far outweighed by the Jana Sangh. It has by far the largest Parliamentary membership in the Janata Party though the exact numbers are not yet clear. It was founded in 1952 as the political offspring of the RSS. Throughout the 1950s and 1960s it championed Hindu nationalism. Thus it advocated India's obtaining a nuclear bomb, supporting military conscription, pressed for war against Pakistan, and sought Indian dominance over South Asia. The Jana Sangh was anti-Communist and anti-Socialist and resentful of the intrusinn of multi-nationals.

The party was once described as being "authorilarian to the point of Fascism." Its supporters are principally drawn from among shopkeepers, minor civil servants, and the owners of small businesses.

Under the recent leadership of Mr. L. K. Advani and Mr. A. Vajpayee, its stance has moderated to the point at which even Muslim leaders have said that it is not a communal organisation. But it is still difficult to know how far it has trimmed to achieve a wider base and a foothold on power, and how much there has been a genuine change of heart. Equally difficult to assess will be the influence on it of the released members of the RSS. It will certainly need to tread warily if it is to remain in the mainstream of Indian life.

The third partner in the coalition is the BLD — whose symbol, a peasant with a hoe, was adopted by the Janata for the elections. Until now it has represented the special interests of tha medium-scale farmer (the Jats) of Uttar Pradesh and the Punjab in northern India. Mr. Charan Singh, its leader, carries little weight nationally having switched parties and allegiance too often. In his own region he was hitterly opposed by the Harijans (untouchables) until Mr. Ram rallied them to his side.

Finally, the smallest following in the Janata is that of Mr. George Fernandes's Revolutionary Socialist Party which until the labour agitation in northern India of 1973-74 was confined almost exclusively to West Bengal and Kerala. Mr. Fernandes contested his Bihar constituency from gaol and won handsomely.

All these differences of outlook can be patched over as the party sets about its high-minded goal of restoring clean Government and undoing the amendments to the constitutions. Its unity will be put to the test, however, when it is up against the far tougher obstacles of maintaining the cohesion of the country, putting to right the backlog of economic problems and containing the expectations unleashed hy its victory.

No previous election has resulted in so sharp a split between the Hindi-speaking north and the Dravidian heartlands of the south. While the north turned its hack on Congress which has been the party of Hindi domination of the country, the south gave Mrs. Gandhi its support, though Tamil Nadu in particular bas long chafed under the tight control exerted from Delhi. The Janata party thus has on its handa a problem in meeting the aspirations of the south—and of Tamil Nadu in particular—for greater regional autonomy, while knitting it into the union. Patronage and the offer of government jobs to key local figures have been the traditional means of walking such a tightrope in the past.

Mrs. Indira Gandhi

But the economic problems of the months ahead are a more serious difficulty. Mrs. Gandhi glossed over them in her attempts to demonstrate the benefits of emergency rule. Inflation is already running at about 12 per cent. on an annual basis. The rate is likely to worsen as a result of the concessions offered by Congress in the closing stages of the campaign, in the form of increases in bonus payments to workera and cuts in the land tax. Industry expects a rash of wage claims after an almost two-year freeze. Workers have regained the power to back up their demands with strikes, at a time when profit margins are tight. The engineering industry is operating at only 50-60 per cent. of capacity, and a good deal of the much-vaunted boost in production throughout the manufacturing sector has been going into stockpiles. In an attempt to stave off redundancies.

The new administration will face a heavy demand for resources from industry, both to give new impetus to growth and to bail out sectors which are in difficulties, such as textiles and steel. Yet the inclination of the Janata party is to devote more resources to rural deve[...] There has been mu[...] amongst party officials [...] context of a Gandhian [...] to revive cottage in[...] help the smallscale fa[...] crease production, and [...] more roads, schools, an[...] tion canals as a way of [...] income and employme[...]

There is much symp[...] this among business[...] long-term goal. They [...] great weakness of th[...] economy as being the [...] strong domestic [...] because the purchasin[...] of the rural areas is lo[...] is a long-term view, an[...] ing the transition fro[...] centration on heavy in[...] rural development will [...] great skill.

Equal skill will be [...] remove the stigma [...] family planning pr[...] which did show signs [...] ing a dent in the [...] poverty of India, but [...] in ruins.

In the present eupho[...] ever, doubts about th[...] stability of the cou[...] being forgotten. All th[...] the saris and the cook[...] sils dished out by Co[...] an attempt to buy votes [...] for nought against the [...] of popular sentiment.

Even those who [...] cede that the country [...] a protracted period of i[...] and probably turmoil [...] it as something that [...] faced if democracy i[...] firmly implanted. As [...] Gandhi, she is bein[...] credit for having r[...] elections fairly. The[...] be time later to as[...] "Indira decade."

MEN AND MATTERS

Buggins's turn at the NEB

How reassuring. Now Lord Ryder'a National Enterprise Board is to have ultimate charge of keeping Big Ben going, to say nothing of the astrological clock wbich graces the frunt of Bracken House, the Financial Times building.

This surprising extension of the NEB's powers emerged yesterday when the Board annnunced it was injecting £240,000 into Thwaites and Reed, the Sussex-based clock making and maintaining company, in return for a 90 per cent. equity stake. It shnnld make a welcome change from worrying abnut motor cars, but why should the NEB be getting involved at all with what it described as "this historic and internationally renowned company?"

The NEB's reply is that it now intends to help small businesses with good products but lacking a firm financial base —in other words, venture capital is nfficially, back in vogue. Thwaites and Reed is the first recipient. The NEB expects to make two or three more such investments public in the next week or so, while carrying out its own inquiries as to why there is such a flood of applications from small companies.

No douht managers of small companies have ready answers: meantime Thwaites seems unusual in that the NEB will expect generally to take minority stakes in deserving cases.

Apparently, Thwaites is different because its capital base has been too small and the group seemed in danger of going under. It started life in 1740 and to-day bas 700 service contracts for maintaining public clocks. The most famous responsibility is the Grand Clock of the Palace of Westminster

"Presumably hoping to put the clock back!"

and its Big Ben bell which got into severe trouble last year.

The clock is now striking the hours again, but the Westminster Chime mechanism is still under repair. Thwaites said yesterday that it expected to reinstal all the works next month. The company's own difficulties came in the early 70s when control passed after more than 100 years from the Buggins family to an investor who took it into the trendy clock trade.

The family re-purchased control two years ago, but it appears to have been a struggle for survival since. The NEB investment will enable Thwaites to go deeply into the domestic market, at home and overseas, and £75,000 will he spent on new equipment enabling the company to make its own movements for the first time. This, the NEB hopes confidently, will lead to a valuable bit of import substitution.

Irish queries (1)

Heaven forbid that anything so pleasant as holidaying in Ireland should be regarded as an exact science, but Irish officials seem to have spent an inordinate amount of time compiling somewbat odd surveys on the business of tourism in their country.

In London yesterday Tom Fitzpatrick, the republic's 59-year-old Minister for Transport and Power, who has responsibility for tourism talked reassuringly about some research conducted by the Irish Tourist Board on the attitudes of the natives to visitors. These have consistently shown the British "out in front," he claimed.

How nice, and the obvioua supplementary is who did they like least? Fitzpatrick's advisers joined in the merriment, hut declined an answer; they did say that the Americans came second and Continentals in general third.

Fitzpatrick was banging the drum for a drive to persuade more Britons to cross the Irish Sea thla year. Most of the visitors to Ireland do come from the UK, but the actual figures do contain a small trap. Laat year, the Irish were pleased to welcome 785,000 from Britain —but 500,000 of them were either Irish or of Irish origin anyway.

It is a sensitive point, and Fitzpatrick's people were keen to stress the diminishing importance of the "ethnic" trade, which led to mention of another survey. This time it was one conducted in America, which showed that while first generation Irishmen were indeed keen to visit the homeland, the second generation was less enthusiastic than the population at large.

Whether such ahtruse surveys are valuable or not, the Irish are confident that ties of friendship and the kinship of a common if battered currency will push up the number of visitors this year. And to back up the tourist board'a efforts, 100 Irish people involved in the business, from a charming lady with a guest house in Bantry to Dublin car hire owners, are now on the stump round Britain meeting travel agents and the like to try and ensure the 1977 season goea well.

... and (2)

Minister Tom Fitzpatrick wished the Irish tourist mission well at a lunch in a London hotel yesterday, which seemed to me the right sort of occasion to ask for Irish jokes of quality (and preferably ones relating to holidaymakers). Contributions were not terribly inspiring, but this was the best:

A visitor was driving his car through Ireland when he came to a railway level crossing. The gates were neither completely open nor completely closed. Preferring to be safe than sorry, the motorist waited for quite a while, then finally sought out a railway official and asked why he had left the gates in so uncertain a position. "Well," came the reply, "I'm only half expecting a train."

Try harder

A nice line in criticism of Government from Tony Baker, chief actuary of Royal Insurance and his colleague Norman Graham. In a paper read last night to the Faculty of Actuaries, they discuss the Insurance Companies Act 1974. They take polite issue with "the direct matching of market values of assets against liabilities valued on a net premium method," adding crisply: "If an actuarial student were to recommend this approach in an examination paper we seriously doubt whether he would pass."

Observer

FINANCIAL TIMES SURVEY
Tuesday March 22 1977

Corporate Finance

The corporate sector has recently seen better times, with recovery in profits and low demand for money because of continuing limited business activity. But the rise in profits has been smaller than expected, and allowing for inflation there has been only a limited improvement since early last year.

FINANCIAL position of rial and commercial com- has improved consider- luring the past couple of and is expected by most sters to remain healthy hout 1977. But one of the reasons for this is that onomy is expected to grow this year, and only y faster in 1978, hence g the demand for finance, there has been worrying ce about the cost of maintaining stock levels current rate of inflation.

turnround in company ty since the tight squeeze end of 1974 reflected the on and related partial l of the commodity price on of the early 1970s, as as specific Government es. Thus between 1974 975 the amount required panies merely to finance ppreciation declined from to £4.1bn. and there was h from a £1.2bn. rise in vel of physical stocks to n. reduction over the two

e same time the Govern- steadily eased price con- d, more significantly, in- d concessions on stock iation relief which first d, then held in check, the U.K. tax payments. Con- tly, overall there was a und from a corporate sec- ficit of £2.5bn. in 1974 rplus of nearly £300m. in

improvement continued r, though the latest pub- lished figures only go up to the end of the third quarter and the trend is not easy to distinguish. Thus, a surplus in the first half of the year of £526m. for industrial and commercial companies was followed by a deficit of £317m. in the third quarter.

It is still not entirely clear what happened but there may have been exceptionally heavy investment in the North Sea, not allowed for in the seasonal adjustment process, and some analysts believe the profits figure may be revised upwards. Consequently estimates from brokers Phillips and Drew, for example, point to a corporate surplus of £600m. in 1976, compared with original projections of more than £1bn.

Profits

The improvement in the financial position of the corporate sector, and the slight check in the third quarter, has largely reflected movements in profits and in stocks. Thus, on the Phillips and Drew estimates, U.K. trading profits (excluding North Sea oil) are estimated to have increased by a quarter last year to £12.6bn. with income from abroad up between 35 and 40 per cent. in 1976.

Meanwhile, there has only been a small rise in both tax payments and dividends, though the rundown in the level of physical stocks has been smaller and stock appreciation has risen further because of inflation.

Indeed the larger than anticipated impact of inflation on company finances is shown by the fact that during the fourth quarter the book vale of manufacturers' and distributors' stocks jumped by a record £2bn. —an eighth more than in the third qnarter. And this was at a time when the physical volume of raw materials and fuels was still declining. Although there are hopes that the more stable trend in sterling will offset some of the impact of the recent increase in commodity prices, any pick-up in stockbuilding —unlikely in the immediate future — could make large demands on cash.

The limited nature of the underlying recovery in profits was brought out clearly in last week's Bank of England Quarterly Bulletin. This pointed out that while gross trading profits of industrial and commercial companies during the first nine months of the year were about 19 per cent. higher than in the same period of 1975, the increase was only 13 per cent. after allowing for stock appreciation and the cost at replacement cost of capital consumption.

Indeed profits net of stock appreciation have shown only a *small rise since 1975*, while net of capital consumption the proportion of profits in net domestic income were lower in the third quarter than in any quarter of 1975. The proportion was 4.2 per cent. compared with 10.4 per cent. in 1972 and 12.9 per cent. in 1965.

The Bank suggests that profits were no donbt depressed partly by stagnant domestic production and, in the third quarter, by the setback to exports. And while there was a distinct improvement in the fourth qnarter, some of this probably reflected the profits of companies engaged *in North Sea oil activities.*

The Bulletin warns in its analysis of prospects that profits may show little growth except for gronps involved with the extraction of North Sea oil, which are now beginning to see a return on their investment, and for companies heavily engaged in exporting where greater profits will provide an encouragement to further investment.

Phillips and Drew, for example, projects a rise in U.K. trading profits of 20 per cent. this year to £15bn., and of 15 per cent. in 1978, while profits from North Sea activities are projected to increase from around £400m. to £1.9bn. in 1977 and £3.5bn. next year.

Quiet improvement

By Peter Riddell, Economics Correspondent

On the other side of the picture, profits due abroad are expected to Increase. And despite the possibility of a smaller amount needed for stock appreciation, the turnround into physical stockbuilding and a recovery in investment are likely to mean that the published corporate sector surplus increases to only about £1.6bn. this year, and £2.6bn. in 1978.

Phillips and Drew suggests that this figure should be adjusted for profits due abroad and investment by U.K. companies. In this case, the trend of the corporate financial position would be from a deficit of £300m. in 1976 to a surplus of £1.2bn. this year aod of £3bn. next year.

Brokers Wood Mackenzie in their most recently published *forecast has also pointed to a* slower than previonsly anticipated growth in profits. But despite the third quarter deficit it has projected a corporate sector financial surplus of £1bn. for 1976 and £1.8bn. this year.

The revision downwards of previous profit estimates and the demands made by inflation inevitably raise a question mark about the projections. Indeed it is only in the context of a fairly flat trend of overall private fixed investment and a limited rise in physical stocks levels that the corporate sector's financial position is expected to remain healthy. And this will owe an Increasing amount *to the impact of profits* from the North Sea.

The next step of translating this analysis into projections of the demand for hank and other external finance is more difficult both because of investment inside and outside the U.K. and unidentified credits. Moreover, the level of issues of equity capital via rights offers is, of course, far more dependent on stock market conditions than necessarily on the short-term demand for new equity to reduce financial gearing. Thus the rights issue boom of 1975 and 1976 reflected in part a pent-up demand over the previous two years.

The total amount raised by equity issues in this period was about £1.8hn. and most estimates have been assumiog — though in practice it is little more than a guess — that the amount raised over the next two years will be much less.

After allowing for this and the expected rise in the corporate surplus, it is possible that the net short-term indebtedness of industrial and commercial companies will continue to decline. *The recent banking and* monetary figures have suggested that demand for bank loans from industry remains slack.

However, there tend to be fluctuations within the trend, such as last summer and autumn when the take-up of bank loans by industry increased sharply; bank lending in sterling to industrial and *commercial companies* rose from £15.9bn. at the end of the first quarter to £17.4bn. by the end of September, and £18.1bn. on December 31.

This reflected in part taking-up of bank overdraft by companies ahead of the widely anticipated clampdown on bank lending, which occurred in November. There also appears to have been horrowing to finance leads and lags—the altered pattern of commercial payments on overseas trade, involving early payment of imports; and hence a build up of stocks and the delayed receipt of money for exports, which occnrred during last year's series of sterling crises. As confidence has returned to the foreign exchange market, the unwinding of these leads and lags may hold in cbeck the rise in bank lending to industry.

Depositing

On the other side, industry's deposits of cash and their equivalent has increased—by a somewhat larger amonnt than horrowing—reflecting in part the depositing of some of the overdrafts drawn as a precaution last autumn. The increase in both deposits and borrowing at the same time also reflects the varying financial position of different companies.

Against this hackground of a relatively healthy corporate sector financial poistion and a slack demand for funds, the debate on the provision of finance for industry bad heen easing off to some extent. Both the recently expanded and new Institutions—Finance for Industry and Equity Capital for Industry—are at work. But the issue has come to the fore again with the Wilson Committee's investigation into the City's provision of finance for industry.

The City and its critics

The City of London and its institutions find themselves under attack and criticism from several directions at the moment. The City Corporation itself, with its traditional panoply, has been the target of moves to abolish the special form of local government which exists in the Square Mile. The institutions and their representatives are concerned over the implications of the Bullock report on employee representation, arguing that its proposals would among other things make it more difficult and more expensive to raise funds for investment. And the whole issue of finance for industry remains a major topic of debate and argument.

Planks

This issue and the alleged failure of the City to meet industry's needs formed one of the main planks of the arguments put forward by the proponents of nationalising the Big Four banks, plus one merchant bank, and the top seven insurance companies. And it is to form the first main topic of investigation by the Wilson Committee in its look at the workings of the City, with the expectation that an interim report will be brought out fairly quickly on this specific topic before the committee moves on to broader issues. There is perhaps some regret in the City that the issue is being handled in this way; it is suggested that the committee will to some extent be going over ground which has already been covered several times, including the activities of the Roll Committee set up by NEDC last year to examine finance for investment.

There is also some anxiety that the outcome could be merely the recommendation of establishing yet another specialised institution to add to the resources available to industry, which coming on top of the expansion of Finance for Industry and the cretation of Equity Capital for Industry some people feel would not get to the root of any problem which may exist. Nevertheless, there is no doubt that the City institutions are taking the issue and specifically the Wilson investigations seriously. A good deal of work is going into the preparation of submissions and evidence for the committee by the banks, the insurance companies, the Stock Exchange and other City associations, and there is no doubt that the material should be available to enable Sir Harold to produce the fundamental and lasting review which is his intention.

The basic debate over the questions of finance for industry has already been running for some time in public in the context of the nationalisation proposals. The document produced by the Labour Party National Executive Committee set out a number of reasons for its proposals. These included unfavourable comparisons with the performance of the banks and investing institutions in other countries, particularly W. Germany; the degree to which the available funds are concentrated in a relatively small number of institutions and the "massive amount of financial power" which they consequently wield; and the argument that the relatively poor investment performance of British industry could be traced directly to the weaknesses of the financial system and the availability of finance.

"The key to success," the document argued, "lies in developing a publicly owned stake in the very areas of the financial system where critical investment and lending decisions are made; the banks and the insurance companies. This is where our competitors have stolen a march on us, with specialist publicly owned financial intermediaries."

The City has mounted a vigorous counter-attack, even though it seems clear that at present there is little likelihood of the proposals being adopted by the Government. The moves by the banks have included, for example, a number of surveys conducted in an effort to demonstrate that the idea is not generally acceptable to either staff, customers or the public at large.

The bank chairmen have returned to the attack in their annual statements this year. Sir Eric Faulkner at Lloyds, for example, stressed the responsibility of the banker towards his depositors and the potential danger of state direction of funds. At Barclays, Mr. Anthony Tuke underlined the evidence that nationalisation was not generally popular, arguing that the support came only from "a small number of left-inclined members of Parliament and trade unionists and a very small percentage of the public as a whole."

The main thrust of the counter-argument, however, has been aimed at the various assertions about the weaknesses of the institutions in providing finance for industry and the comparisons with foreign experience—the area which the Wilson Committee will be initially looking at. Fairly typical of the response was the examination prepared by Professor Harold Rose and published by the influential City Capital Markets Committee. This argued that the NEC document "draws a false conclusion from a doubtful premise." In particular, it stressed that the constraint on economic growth had not arisen from lack of finance. "All evidence at present is that investment in Britain is being retarded not by deficiency of finance but by a combination of excess capacity, low profitability and uncertainty as to the future."

The article also drew attention to the point, which has also been stressed by the individual institutions, that they make a substantial contribution to the U.K.'s invisible earnings abroad. In support of these arguments, the banks point to their recent experience with lending; there is no shortage of funds available for their industrial customers to borrow, but the usage of agreed overdraft limits remains exceptionally low and there is still no evidence of a convincing increase in demand for finance to support new investment.

Support

Their view has gained some support from their industrial customers. At the Institute of Bankers Cambridge seminar last September, for example, Mr. J. Campbell Fraser, managing director of Dunlop Holdings, gave a considered paper on the subject. He did not absolve the City from criticism and recognised that there was room for improvement. But he stressed that the availability of adequate finance would not in itself generate a higher growth rate in the economy (though its absence could restrict growth). And he argued that any reforms of the structure "should be careful to avoid any course of action which would be detrimental to its many good points."

Nevertheless, it is clear that there remains some general unease about some aspects of the way in which finance is organised. Part of the background to the recent debate can be traced back to the experience of 1974 when the financial resources of Industry were very seriously squeezed, through pressure on the company sector's internal generation of funds and the lack of availability of new funds from the capital market. The situation has improved substantially since then, as a result both of tax relief given to the company sector and the general recession in economic activity. But at the same time, there have also been some important moves to provide different forms of outside finance.

They have included the substantial increase in the resources available to Finance for Industry, and the more recent establishment of Equity Capital for Industry. This new institution had a difficult birth and has been apparently slow to get under way, but it was reported earlier this year that it was looking at about 20 applications for funds and more recently it has been suggested that the institution may soon make its first investment.

In the banks themselves, probably the most important moves have been the substantial increase in the amount of medium-term credit being provided to industry, even in a period when the overall loan demand has been sluggish, coupled with efforts to improve the quality and availability of advisory services offered to customers, particularly among the small company sector. It is arguable that there is scope for the banks and institutions to become much more involved with their customers and their investments, using their own financial expertise to help the industrial sector in selecting and making the best u... various kinds of fin... able.

The real test of ... ability to meet ind... quirements may o... however, when the e... covery becomes mo... cing and the lo... revival of investm... way.

Michael

State aid still substantial

AID TO INDUSTRY has been one of the relatively few areas of Government spending which Ministers have tried to safeguard in their recent attempts to pare down the burden of public expenditure. Some savings have been made—such as by abolishing the Regional Employment Premium, changing the basis of payment of Regional Development Grants, and by persuading the clearing banks to carry rather more of the burden of refinancing fixed-rate export and shipbuilding credits. But these reductions have been partially offset elsewhere—by increased incentives for industrial investment and by further measures to alleviate unemployment.

In all the total provision for Government support to industry, trade and employment next year is officially predicted to decline to about £2.6bn. net from this year's £3bn. net (both figures at 1976 survey prices). This will still be equivalent to about 4 to 5 per cent. of total public spending and about 2 to 3 per cent. of the Gross Domestic Product.

Part of this sum will be spent on which might be described as "back-up" services such as export promotion, industrial training and other labour market services. A further slice has been devoted to the job creation programme, the temporary employment subsidy, the youth employment subsidy and other presumably temporary measures by which the Government hopes to moderate the impact of unemployment during the recession.

But even if these items, payments to nationalised industries, and administrative costs are excluded, the total for industrial aids as such—in other words, cash payments—is still likely to come to about £1.2bn. next year as against £1.5bn. this year. In real terms this will still be almost double the amount which was being spent annually at the beginning of the 1970s (after allowing for the switch from investment grants, which were counted as public expenditure, to tax allowances, which are not).

This considerable expansion in the provision of State financial aid for industry began in the 1960s, was taken further by the Heath Government's Industry Act 1972 and has been increased yet again under the present Labour administration. It applies both to regional aids and to more general support for industrial investment and innovation.

In recent years two other developments have also become apparent. First, there has been a gradual shift away from earlier post-war governments' habit of concentrating their general support programmes on a few favoured sectors of high technology, such as aerospace and nuclear power. Secondly, increasing emphasis is being placed upon selective assistance involving a measure of Ministerial discretion as distinct from non-selective assistance paid on the basis of certain standard criteria.

The first development can only be welcomed. If there is a case for Governments using taxpayers' money to provide financial support for industry, then it is hard to see why aerospace and nuclear power should be privileged and more basic industries (like ferrous and non-ferrous foundries, machine tools, printing and textile machinery, wool textiles and some of the others for which section 8 industry schemes have been arranged since 1972) should be ignored.

But it remains to be seen whether the new more catholic approach will be any more successful than the old. According to one study by a senior economic advisor at the Department of Industry, only £150m. of the £1.5bn. (at 1974 prices) which was devoted to Government launch aid for civil aircraft and aero-engine projects between 1945 and 1974 was recovered. In the earlier post-war years, a measure of support could perhaps have been justified on "infant industry" grounds. Again, in the early 1960s some support could be justified as a dowry for the enforced mergers of that time.

But even when one takes the amount of support provided on apparently commercial grounds one finds that only £90m. of the total of £150m. was recovered. Only one "commercial" project—the Viscount aircraft—yielded a surplus for the Government and that surplus was insufficient to provide a reasonable allowance for interest.

Section 8 sectoral schemes are of course not on the same footing as aerospace project launch aid. But only time will show whether they will facilitate a lasting competitive improvement by the firms and industries that are being aided under section 8.

Worthwhile

Judgment also has to be suspended at this stage on the gradually increasing resort to selectivity and away from automaticity. The abolition of the Regional Employment Premium was certainly a worthwhile move. All the available evidence suggests that it was considerably more expensive per job generated or preserved than the various forms of regional investment incentives.

Up to a point a case can be made for placing more emphasis upon selective assistance under section 7 of the 1972 Industry Act and for the selective approach of para-governmental agencies like the National Enterprise Board and the Scottish and Welsh Development Agencies. In theory, grants and loans provided through these instruments should be more cost-effective than automatic payments such as the Regional Development Grant. Up to a point, too, the administrative burden of selective assistance can be eased by offering interest relief grants and thus by relying upon private sector institutions to undertake the task of project appraisal and shoulder the major financial risk.

But if the object of all these schemes is to help generate a more rapid rate of economic growth, then one has to express considerable scepticism. Comparisons of the nature and scale of State financial aids to industry both within Western Europe and within the industrialised world generally do not reveal a casual link between industrial policy and economic growth. For instance, the West German economy, with little government intervention and low levels of State financial assistance, has grown at broadly the same rate as the French where the government intervention and financial assistance have both been much greater.

If the success of industrial policy should be measured by more limited objectives—such as in terms of employment, regional balance, export competitiveness or import saving—then again there is a case for scepticism. On the one hand, there is some evidence to suggest that regional imbalances would have been greater in the absence of regional policy measures. According to some Department of Industry analyses, regional policy has probably helped to generate an additional 300,000 jobs in the assisted areas in the last ten years, partially offsetting the 450,000 or so jobs which have been lost in these areas' staple industries. On the other hand, there is an over lengthening list of instances where intervention has resulted in a loss of public money.

The trouble is ... governments begin ... active industrial ... policies, they become ... hostage to every ... trial casualty, and ... their political vulne... more they resort to ... approach. It is true ... the example of the ... operative experimen... and 1975, the prese... ment published a ... criteria for financial ... in which more em... placed upon comme... pects, quality of m... and the willingness ... sector institutions ... part of the finance ... we ever expect to ... ments standing as ... major employers ... Rolls-Royce, Britis... and Chrysler ... collapsing?

Diminished

Britain is certainly ... among Western nat... viding State aids to ... This aspect of indus... has become much ... portant as tariff pro... diminished and ... have sought other ... pursuing autarchic ... true that State fina... ance has been in... many countries in ... the pressures of th... world industrial rec... Britain is still spend... tionately far more ... comparable industria... tries.

One cannot help ... whether our industri... ance would have bee... successive British G... had concentrated ... staunching the ... decline in corpor... ability which has t... in the last 15 yea... pursuing less abrasiv... predictable indust... economic demand m... policies.

Coli

Inflation accounting

IN MANY WAYS the present combination of historical cost accounting and valuable tax concessions in areas like stocks and investment in new fixed assets is very attractive to industry. Because of inflation, profits appear to be very high, boosted by stock appreciation and the inadequacy of depreciation provisions. This could make companies vulnerable to wage demands, but they are at present protected by Government policy on this front. It could also lead to companies being squeezed by price controls, but here again the Government has introduced a substantial measure of allowance for inflation into the Price Code.

So it is not surprising that many industrial companies are unenthusiastic about the proposals by the accounting profession to introduce current cost accounting. Requests by the Stock Exchange for quoted companies to indicate the effects have received a poor response (though there have been some honourable exceptions).

Companies ask what possible advantage there could be in producing much lower profit figures on the inflation-adjusted basis, which according to brokers Phillips and Drew will reduce pre-tax profits by about half compared with the historical cost calculations. Such revelations could only upset the stock market, bankers and creditors without changing any of the real facts about company performance.

Claim

This is assuming, of course, that managements are already fully versed in inflation accounting for internal purposes and are adapted to the operational impact of inflation. When asked, managements naturally claim this, and add that in any case the market, and not the dictates of inflation accounting, determine what prices they can charge.

Taking the argument to an extreme, the chairman of Glynwed, Mr. Leslie Fletcher, suggested in a recent letter to the Financial Times that current cost accounting could damage the export drive. Companies might be reluctant to continue to export if this showed a loss after "some very theoretical adjustments."

How theoretical those adjustments are, of course, is something that lies at the root of the matter. The accountants argue strongly that accounts must make adjustment for inflation if their usefulness is not to be sharply eroded. The continued publication of historical cost figures during the past few inflationary years has coincided with a sharp downgrading of the stock market valuation of earnings — partly the result of dividend controls but also of a deep suspicion of the quality of those earnings. As for company managements, it is by no means clear that they are as conscious of all the implications of inflation as they might be.

In any case, the wheels of inflation accounting, though grinding slowly, are moving towards some sort of conclusion. After the abortive provisional standard SSAP 7 produced by the accountants in 1974 and the Sandilands report in 1975 the Morpeth steering group produced its exposure draft late last year.

These proposals — embodied in ED 18 — are open to a six-month period for debate. The definitive accounting standard will probably appear early next year. A considerable amount of uncertainty is at present surrounding the Morpeth proposals, with many calls for changes. But as things stand the CCA system should become mandatory for listed and large unlisted companies for accounting periods starting on or after July 1, 1978, with later dates for various categories of other enterprises.

This is rather later than the targets set by the Sandilands Committee, and the first major batch of CCA accounts will not come until calendar year companies report for 1979 — that is, in the spring of 1980. Perhaps by then inflation will be lower and the impact less sharp.

But it is by no means too soon to be considering the potential implications — and the Stock Exchange is again seeking to hurry things along by asking listed companies to publish, during the intervening years, unaudited ED 18-type profit and loss and appropriation accounts on a supplementary basis. It will be interesting to see how many companies continue to find excuses for not complying with this request.

The impact of inflation accounting on the stock market is one important question for consideration. In the past couple of years the equity market has again been playing an important role in company financing through the mechanism of rights issues. It is remarkable how little inflation accounting information has been given by companies raising money—or perhaps it should be put the other way round, in that investors have failed to demand the figures. But Rolls-Royce Motors touched on the problem, coming back in the spring of 1976 for its second rights issue in successive years while admitting that its CCA profits were just about nil.

Discounted

The overall level of share prices is probably not vulnerable to the introduction of CCA. Although the average price-earnings ratio might double, this would still leave p/es at quite a modest level in comparison to what they used to be in less inflationary days five or ten years ago. In the aggregate, inflation has probably been discounted. But this may not be at all true of individual sectors and companies.

Phillips and Drew, for instance, have listed a number of major companies which on their estimates could be making losses on a current cost basis. The engineering, paper and textile industries are all badly hit. Companies like Courtaulds, Carrington Viyella and Tube Investments could be in the red. On the other hand, companies like Beecham, Glaxo and Marks and Spencer will sail through the change ... effect on their earni...

By and large, the ... companies are alre... given a low rating b... ket. But such g... bound to be concerne... valuation could sink e... and that their abilit... significant sums coul... paired. It is notice... Chloride Group and ... Engineering, both ... above average exposu... tion accounting, have ... separate bites at t... issue cherry. Thei... capitalisations have ... high enough to allow ... sums to be raised at o...

Then there is the q... the banks. The margi... for bank interest payn... be greatly reduced by ... as dividend cover will ... ever, balance sheets ... strengthened by th... higher asset values ... under the proposed sy... asset gearing will app... much lower.

And the banks are fu... picture on the ac... changeover, so there sh... be many problems, at ... far as U.K. banks are co... Yet there is some co... U.K. groups with su... overseas operations on ... tude of foreign banks. ... Stability of the U.K. co... could appear to be less ... of foreign rivals still pu... historical cost accounts ... U.K. banks, internation... may not be so intereste... details of accounting st...

Companies with big ... interests, in fact, are fa... particular problems in ... the CCA standard. Oth... tries are adopting ... approaches to the que... inflation accounting a... complexities of translat... accounts of foreign subs... could be greatly increase... seas governments, m... are certainly not going t... CCA figures as the ba... taxation as the Inland R... eventually is likely to do ... U.K., once the system is ... established.

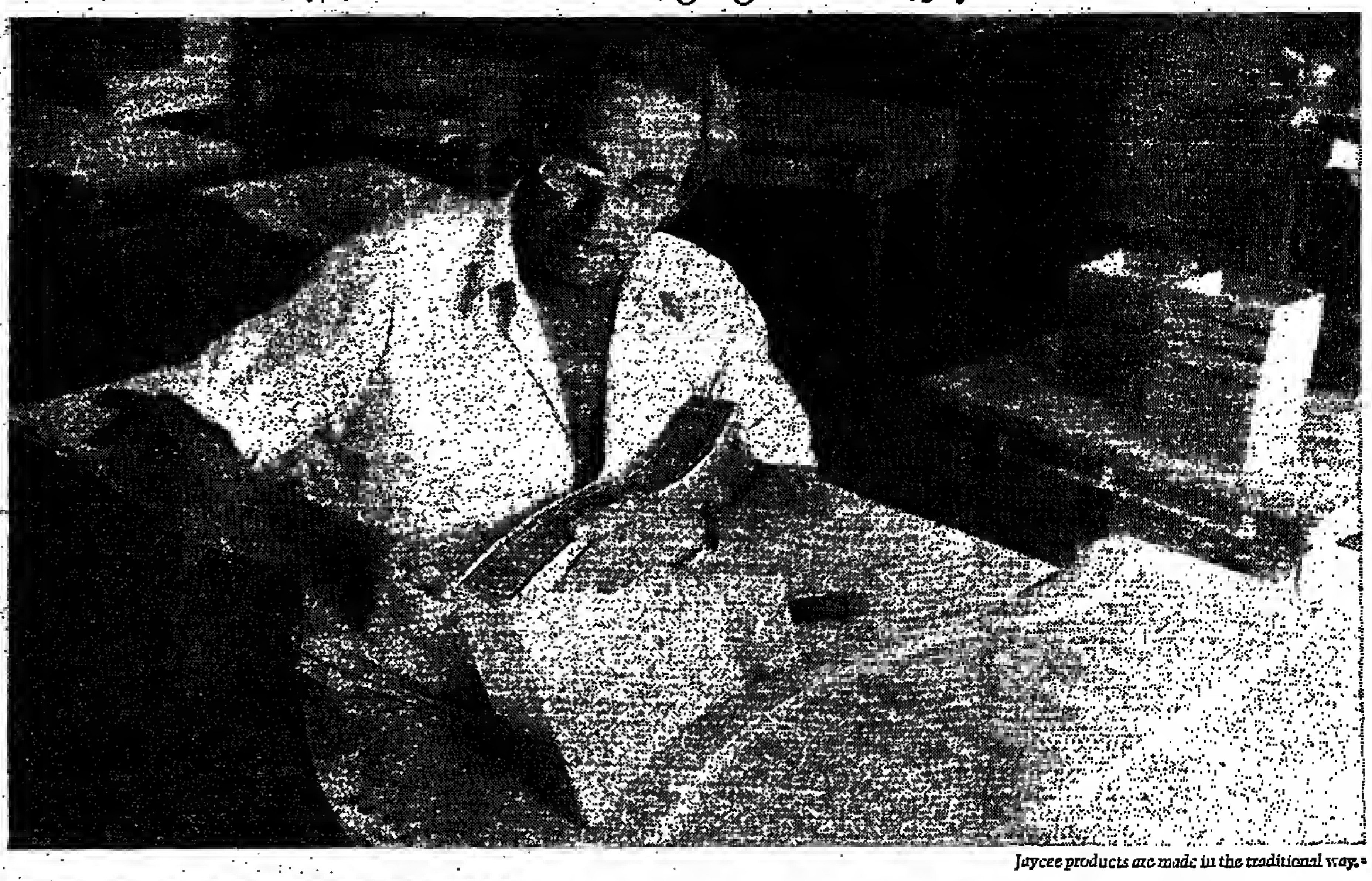
Barry

هكذا من الأصل

"We intend to grow at 10% a year. If we do our homework, Midland Bank Group backs us to the hilt"

-Dr Clive Cohen, Chairman and Managing Director, Jaycee Furniture Limited.

Dr Clive Cohen, Chairman of Jaycee Furniture Ltd.



Jaycee products are made in the traditional way.

Says Dr Clive Cohen, the company's young Chairman and Managing Director: "We intend to grow at the rate of 10% a year in real terms over the next five years.

"There is a great feeling for the English style and traditional English craftsmanship in our export markets. What we really want is to become the best-known producers of this kind of furniture in Europe, *the* name for traditional furniture."

Export-led expansion

Expansion for Jaycee has always been export-led. Their Tudor, Jacobean and Regency style cabinets, tables and chests are in demand throughout Europe, America, and even as far as Japan. They won a Queen's Award for Exports in 1968 and again in 1973.

The top professional people in Jaycee's top jobs. Left to right: R.K. Matthews, Manufacturing Director; C. Cohen, Managing Director; J.M. Firisen, Sales Director, and J.R.A. Wallis, Finance Director.

The secret behind Jaycee's growth has been their discovery of how to combine modern production methods with traditional craftsmanship without losing traditional quality. That gave them the edge in exports.

Jaycee have won Queen's Awards for Exports in 1968 and 1973.

Dr Cohen, whose father started the company in 1947, explains: "More than 60% of our production goes abroad. I think it's true to say we couldn't have grown so fast without exports.

"Promoting our goods"

"My father realised that once some of our larger European customers were sure we could supply their requirements reliably, they would put much more effort into promoting our goods.

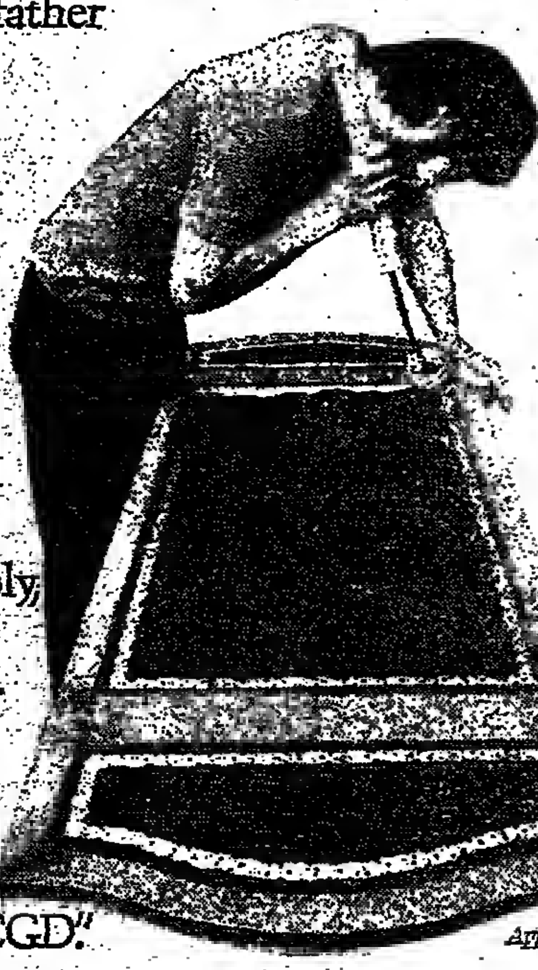
"Midland Bank Group has helped Jaycee achieve this–assisting in improving their cash flow by setting up export financing facilities backed by ECGD."

The carver works on each panel individually, after high-speed machines turn them out roughly-shaped.

Reorganising in Europe

Jaycee recently had an opportunity to buy out the minority shareholders in their German marketing subsidiary. Midland Bank International Division moved swiftly and the deal went through, enabling Jaycee to reorganise their German company, whose sales are now expected to increase by 40% next year.

Midland Montagu Leasing, another company in Midland Bank Group, has also played an important role in Jaycee's export drive. Says Dr Cohen: "We like to deliver our own products safely in our own fleet of vehicles; the trucks we use cost £14,000 a time. We lease most of them, so as not to tie up our capital."



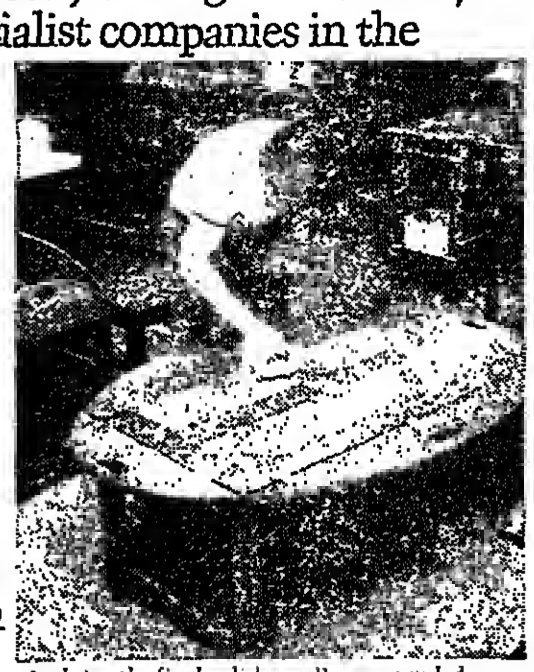
Applying the gold leaf to a skivered desk top.

Help from Forward Trust

Dr Cohen and his finance director work very closely with their local Midland manager, Eric Root, at Brighton's North Street branch, discussing all their plans in detail with him.

"He can help us directly through his branch, or introduce us to specialist companies in the Midland Group. For example, Forward Trust has helped us with instalment finance.

"You can practically see the bank's eyebrows shoot up when we tell them about our next new project. But once we've convinced them of our case, they back us to the hilt."



Applying the final polish to a Regency-styled Butler's Tray.

How Midland Bank Group can help

The companies that make up Midland Bank Group can help your company in many different ways. Their services include facilities for term loans, leasing, hire purchase, merchant banking, equity capital for growth companies, international insurance broking and advisory services, international and export finance, travel, factoring, investment management and trust services. Also for very large companies, Midland's Corporate Finance Division has a select team that can work directly with the company to make the best possible use of the wide range of Group services.

Talk to your local Midland manager–he can put you in touch with all the right people.

Midland Bank Group

Principal trading companies: Midland Bank Limited, Clydesdale Bank Limited, Clydesdale Bank Finance Corporation Limited, Clydesdale Bank Insurance Services Limited, Scottish Computer Services Limited; Northern Bank Limited, Northern Bank Development Corporation Limited, Northern Bank Executor and Trustee Company Limited, Northern Bank Finance Corporation Limited, Northern Bank Trust Corporation Limited; Midland Bank Trust Company Limited, Midland Bank Group Unit Trust Managers Limited; Midland Bank Finance Corporation Limited, Forward Trust Limited, Midland Montagu Leasing Limited, Griffin Factors Limited, Midland Bank Trust Corporation (Jersey) Limited, Midland Bank Trust Corporation (Guernsey) Limited; Midland Bank Insurance Services Limited; The Thomas Cook Group Limited, Thomas Cook Limited, Thomas Cook Overseas Limited, Thomas Cook Bankers Limited; Samuel Montagu & Co. Limited (incorporating Drayton), Drayton Montagu Portfolio Management Limited, Guyerzeller Zurmont Bank AG, Midland Montagu Industrial Finance Limited, Jersey International Bank of Commerce Limited; Bland Payne Holdings Limited, Bland Payne Limited, Bland Payne Reinsurance Brokers Limited, Bland Payne (UK) Limited, Southern Marine & Aviation Underwriters Inc, Bland Payne Australia Limited; London American Finance Corporation Limited, British Overseas Engineering & Credit Company Limited, Drake (UK) International Limited, Drake America Corporation, Export Credit Corporation.

Assisting the exporter

EXPOSURE to foreign exchange risks has been the main talking point in export finance over the past year or so. Rapidly replacing cost escalation as a major topic, the name of the game in export finance right now is foreign currency financing. It has brought in new export insurance schemes, led to new Government strategy on re-financing, opened up the buyer credits market to foreign banks and, for the first time, given Britain's Export Credits Guarantee Department (ECGD) powers, in certain circumstances, to extend loans direct to overseas buyers.

This chain of events began when the wide fluctuations in currency exchange rates, and more especially the decline in value of the pound, prompted more and more British exporters to invoice in foreign currency rather than sterling. This enables the exporter to sell the foreign currency forward so that he either stands to make a direct gain in sterling terms or, perhaps with greater advantage, to offer a more competitive price than the exporter who invoices in sterling. It also allows the exporter to borrow externally, usually at lower interest rates than at home.

Interest

The upsurge of interest in foreign currency financing was such that by April of last year some 20 per cent. of total British exports by value (against an estimated 10 per cent. previously) were being invoiced in currencies other than sterling and the Department of Trade reckons that the proportion is likely to have increased further since then.

But popular though foreign currency invoicing had become by the early part of last year, it left the exporter exposed to currency losses if the buyer defaulted, because ECGD's cover was sterling based, regardless of what currency the buyer had been invoiced in. Repayment by ECGD was tied to the sterling rate prevailing when the contract was signed, rather than to the rate ruling at default. If in the intervening period sterling had depreciated—as it generally did last year—the exporter would be caught short and be forced to buy foreign currency spot, either to meet his forward market commitments or to repay his foreign borrowings. The result was a loss on the overall transaction.

To bridge the gap ECGD in August extended its cover by devising a scheme which helped safeguard such exporters against these losses

The basic scheme applies to invoices of small unit value on relatively short-term credit. As such it has been popular with industry. In the first three months of operation 170 agreements were issued, while for longer term credits of up to five years over 40 agreements were issued in this initial period.

Similar facilities were also introduced for the very large long-term contracts on either supplier or buyer credit which are covered by individual ECGD guarantees. But so far no such guarantees have been concluded, although several are known to be under negotiation.

This more significant extension of ECGD cover enabling export credits to be financed in foreign currencies—some 90-95 per cent. of large plant contracts are financed through buyer credits—is also the more controversial aspect of the new scheme. For while cover on short-term credits has fairly obvious advantages for the exporter, views are very mixed indeed on the buyer credit permutation.

So far as the Government is concerned the key attraction of financing export credits in foreign currencies is that it eliminates refinancing, which has proved to be a considerable drain on public funds. Since an agreement reached with the banks in 1972 ECGD refinances all export credits advanced by the banks above the equivalent of 18 per cent. of their current account balances on a revolving basis. The level of export credits has risen sharply since then and with it the refinancing burden.

And although the Government has managed to persuade the banks to raise the cut-off point to first 20 per cent. and now 21 per cent., the arrangement as such does not come up for renegotiation until October of this year. Faced with the prospect that the refinancing element would continue to shoot up rapidly at a time when public expenditure cuts were vital, foreign currency financing became a very attractive proposition.

When export credits are financed in foreign currencies refinancing becomes the responsibility of the banks, which raise the necessary finance through the Euromarket. No public expenditure is involved, with the further advantage that the interest rates subsidy would be much less as dollar (or other currency) interest rates are lower than sterling rates.

But while such a scheme may be attractive to the Government, contractors find it less so. And much of the criticism is levelled at the way in which it is now being imposed on contractors as a compulsory measure rather than the optional facility which it was when first introduced last year.

Contractors

The scheme was then generally welcomed by the plant contracting industry. Many were convinced that the ability to conclude a capital goods contract in a hard currency would be a crucial factor in tendering for overseas deals. Along with their banks they had been lobbying ECGD to provide such cover for the past two years or so. All too often high inflation in Britain had meant they were unable to compete on price but they would now be able to quote a lower price, in say dollars, than they would have been able to in sterling. It is estimated that there could be a price advantage of between 3 and 6 per cent.—a reduction of £6m. on a £100m. contract.

Others argued, however, that in practice contractors might well meet considerable buyer resistance. Given the prolonged decline in sterling the more experienced buyers would be only too well aware of the advantages to them of a sterling-based deal—it costs them less in terms of their own currency in the long term. Contractors holding this view saw little use for the scheme but at least it was available now for those that did.

But that was before the mini-Budget in December when Mr. Healey announced that the Government was to take steps to "encourage" its use and at the same time "control" the rate at which sterling finance is approved by ECGD, as part of its package to reduce public expenditure. At this stage there was some apprehension among contractors and by February "encourage" had taken on a rather more forceful meaning for ECGD announced that it would only underwrite large project credits in foreign currencies, while sterling finance would no longer be available for the support of non-U.K. elements in the contract. This policy, it said, would apply to all project business with certain unspecified countries (most) and would be "actively sought" in others. To sweeten the pill the interest rate would be held at the minimum levels agreed by the international gentlemen's agreement while ECGD reversed its previous decision to charge additional premium for foreign currency cover.

These measures, taken to ensure that the public spending cutbacks were achieved, made it clear that it was Hobson's choice for the contractor. Like it or not, if he wanted ECGD cover his deal would have to be financed in a foreign currency. Since then there has been a growing mood of protest among contractors and their bankers who claim that if the scheme is applied in this way it may well jeopardise rather than enhance British competitiveness abroad.

In the first place they have already encountered overseas resistance to the scheme. Some protestors, such as the Soviet Union, have been more vocal than others and it may well be that this country will slip through the net. The cheap (£950m.) credit arranged in February, 1975, was after all a "sterling credit" and the Government might find it difficult to persuade the Soviets that the still large amount outstanding should be switched to dollars. When ECGD last put up its interest rates to levels deemed unacceptable to the Soviets, they promptly placed their contracts elsewhere and the lesson is unlikely to be lost on the Government.

Then there are those countries which stipulate that the financing should be undertaken in the contractor's own currency. The Italians suffered from this just recently in Brazil. Because it offered dollar rather than lira credits Impianti, the Italian contractor, had to drop out of the European grouping led by Davy Ashmore which was last year awarded the $1bn. contract for the Acominas steelworks project. In future U.K. groups may well find themselves in a similar position.

A case in point is Morocco, where the Anglo-French group comprising W. S. Atkins and Sofresid last year won the management consultancy for the country's first major steelworks involving an investment of £400m. The work has been divided into 23 major contracts, the first of which are being negotiated now. British contractors have high hopes of participating in the project but Morocco apparently wants the deal financed in the contractors' own currency.

The main problem here seems to be that the decision on whether ECGD backs a loan in sterling or foreign currency (and mostly the latter) is apparently determined on a geographical basis rather than on either the creditworthiness or local requirements of the buyer country or on how much the order may be needed for the U.K. industry involved. Thus Brazil falls into the same category as all other Latin American countries deemed to be dollar-orientated. So it seems, that as with the cost escalation scheme, adjustments will have to be made if British contractors are to stay in the running while the merchant banks are meanwhile busy putting together variations of the scheme which will be more attractive to the buyer.

The first of these was introduced by Lazards for a £100m. deal which it is believed to be negotiating with GEC and Babcock and Wilcox in South Korea, which may in any case be more receptive to dollar financing. Under this scheme the overseas buyer draws down the whole foreign currency credit virtually as soon as the contract has been signed. This sum is then sold for sterling and invested on the buyer's behalf by the lending bank in fixed interest securities.

In this way the buyer stands to benefit from the current interest rate differentials between the yield on gilts and the cost of Eurocurrency borrowing. This makes the U.K. bid more attractive, even

CONTINUED ON PAGE VI

Clearing banks ready to lend

A MARKED change has taken place in the banking system and its lending in the past few months. Last November interest rates had been jacked up to record levels and the authorities took emergency action including the re-imposition of strict restraints on the banks in order to bring under control a sharply excessive level of growth in the money supply.

The banks were becoming rather worried about the implications of these moves, particularly the so-called corset controls, for their ability to meet the demands of their customers for financial support. The situation began to raise again the bogy of industrial lending, which had been rising quite significantly during much of last year, being squeezed out by the pressing needs of the public sector. The peak interest rates were one manifestation of this problem, aimed mainly at enabling the authorities to carry out large sales of gilt-edged securities in order to finance the public sector borrowing requirement.

Now, however, the situation has improved considerably. On one side the official actions have had the desired effect; the heavy gilt-edged sales achieved have contributed to bringing the growth of the money supply well within the forecasts for the current year, to an extent that has aroused concern among some City commentators that the implied squeeze is becoming too tight. On the other the authorities have taken action on several occasions to ease the immediate pressure on liquidity in the banks and the money markets resulting from the official actions by releasing back to the banking system a considerable proportion of the special deposits taken as part of the emergency measures last year.

Interest rates have come down substantially, and though they remain historically high they can hardly be regarded as out of line with the current rate of inflation.

The authorities have been concerned to prevent them from falling too rapidly in a period when the markets would have been prepared to see a very sharp adjustment earlier this year. After attempting to stem the tide through its normal mechanisms of market intervention, the Bank of England eventually stepped in by abandoning the normal market formula for determining its minimum lending rate and fixing the rate by administrative action at 12 per cent. This stuck for five weeks before the Bank bowed to market pressure and dropped the rate to 11 per cent., Last week the Bank again stepped in to prevent a sharp drop, limiting the fall to ½ per cent. at 10½ per cent.

Overdraft

At the same time the banks themselves have brought their base rates down from the peak 14 per cent. established last year to 10½ per cent., implying overdraft rates ranging from 11½ per cent. upwards, and have reduced the rates paid on branch deposits even more rapidly. Moreover, the banks now find themselves much more comfortably placed under the corset restrictions. The terms of the controls put a limit of 3 per cent. on the growth of the banking system's interest-bearing eligible liabilities (IBELS) over the six-month period from the average of last August, September and October to the average of February, March and April this year.

For the first few months the banks, and particularly the big London clearing banks, looked likely to go over this limit and risk incurring the penalties which would result in the form of non-interest bearing special deposits with the Bank of England. However, the mid-February figures showed a much better situation, with the banks back below their IBELS base level and the corset fitting rather slackly. At present, therefore, there appears to be no real obstacle to the banks meeting any financial requirements of their customers.

Besides any measures which the banks may have taken specifically to get their position under control, the main element in this improvement has been the slackness of the demand for credit itself. Against earlier expectations, neither the general demand for loans nor the exceptional pressures normally expected during the early part of the year when company tax is flowing to the Exchequer have brought any substantial increase in borrowing. In the four-week period to mid-February, indeed, the sterling loans of the London clearing banks to the U.K. private sector actually fell by £119m. The recent pattern appears to confirm the general reports from the banks that as yet they still see no really convincing signs that their industrial customers are looking for increased borrowing to support renewed expansion.

The recent experience is in some contrast to the fairly substantial upward movement in lending last year. This has been reflected in the latest breakdown published by the London clearing banks themselves; these showed that their total lending in the U.K. rose by £2.26bn. over the past 12 months, with just over £1bn. going to manufacturing industry. The level of lending was rising fairly consistently last year from March onwards, with most of it going to manufacturing industry—a pattern which would not normally be regarded as unacceptable in the context of the industrial strategy and the official lending guidelines.

However, the indications were that a large part of the increase was taking place for the wrong reasons. Some of the extra finance was required by industry simply to support existing levels of stocks at increasing prices. But other reasons for the increase included the financing of changes in the pattern of payments over the exchanges—the leads and lags which contributed to the pressure on the pound—and in the latter part of the period some anticipatory taking up of agreed overdraft limits in the expectation that official restraints would be imposed. For the most part, therefore, the motives for the rise in lending could hardly be regarded as contributing fundamentally to the recovery of industry and to some extent • were positively destabilising.

The rise in private sector borrowing, moreover, also became one of the important factors contributing to the excessiv expansion of the money and it was for this rea the authorities took the to reimpose the corse more recent downt borrowing may partly re reversal of the leads and the unwinding of th patory borrowing tak year. The banks now fi selves back in the where they are looking a recovery in demand constantly being pe Their responsibilities u official guidelines con stress giving priority t to support investme exports as against borrowers such as the sector. But the de lacking.

The banks remai conscious of the need to be seen to be contri the real economic grow country, particularly ag background of the t nationalisation and the ing public interest in th the City. But their position was summed u T. H. Bevan of Barclay bank's recent annual re said: "We have stood support industry, but any significant si replenishment of deple levels reached in 1975 a continuing mood of un about the return that expected from capital ment, demand for adva remained flat overall."

Limits

At the year-end, he industry was borrowi about 51 per cent. of total lending limits (th may be lower at som banks), and this repre slight fall in the amou over the year in real te while there were some commitment to capital ture by individual c customers, the liquidity of industr meant that this was not ing through in dem borrowing from the ban

In this situation, th generally have continue centrate their ener attempting to improve t ties available to indust movement has included larly the continuing towards an increase amount of lending be on a medium-term basi than on overdraft—a which is only in part a s for overdraft finance. M reported that at Barclay has taken a strong line development, medium-te ing rose 21 per cent. in division, following a ri per cent. in the previou "A refutation of the ar he said, "that the bank hold themselves ready industry's need for finan

Michael Bl

The factor's service

ALTHOUGH THE ten or so factors still active in the U.K. trace their origins back to 1960 there is still a great deal of ignorance among companies as to the exact nature of the service that a factor can offer. Probably not much more than a thousand companies (or divisions of companies) are currently making use of a factor, and where there is not ignorance there is often suspicion, if not downright antagonism.

What exactly can a factor do for a company? Basically most factors offer three services, although there is no pressure on a client to take all three. The first is a straightforward administrative function; basically the factor becomes the accounts department of a company, looking after the sales ledger, sending out the invoices, getting in the payments, and enabling the client to concentrate on production and selling.

In addition most factors (but not all) offer clients protection against bad debts—if a customer fails to pay the factor makes good the loss to its client. Finally, a factor will also provide a financial service, passing on to the client up to 80 per cent. of the value of a debt as soon as the invoice is sent out, with the remainder being passed on when the factor has been paid.

Facility

The financial facility is particularly attractive to companies in difficult trading conditions when customers are proving slow payers. It enables a company to remain liquid, take advantage of any discounts going for payment by cash, and generally removes pressing financial anxieties. But the financial help is an additional cost and in the U.S., where factoring is more widely established, most companies use the financial help of factors only occasionally. In the U.K. too, factors notice that there is more appreciation of their administrative contribution.

Of course factors cost money. They charge, basically, according to the work they do and the risks involved, and different factors may quote different costs to the same prospective client, according to their familiarity with the industry concerned, and the way they organise their business. In the main using a factor will consume between 0.75 and 2 per cent. of turnover. The financial facility is charged as an extra, usually between 2 and 4 per cent. above base rate.

Two of the problems with factors, and at the root of much of the criticism of their activities, are the variations between them, and the areas they do not look after. For a start factors turn down most applicants. Griffin Factors, a Midlands Bank subsidiary, reckons that only one inquiry in 30 becomes a client.

Factors often seem to work only for the safe bets—small and expanding entrepreneurial companies with turnovers between £500,000 and £1m. a year, operating in particular industries, preferably engineering and textiles, and dealing with a controllable number of customers on a round-the-year, rather than seasonal, basis. Service companies, or companies in unusual industries, or with suspect customers, need not apply.

Even when a factor has accepted a company there is no guarantee that it will look after all its business. It might be suspicious of a few accounts, and inform the client that it will not cover them. There is also the matter of "approved limits" for customers. If a client pushes sales up beyond the "approved limits" for a particular customer they become "unapproved debts," and a factor will not pass on 80 per cent. of them immediately, or guarantee these against bad debts.

Factors justify these limitations by pointing out the advantages of them to a client. There is a reason for the credit limits, and a company should be pleased to get seasoned advice about customers' reliability, and help in so spreading turnover so that they are not over-dependent on certain customers. Perhaps factors, which suffered badly in their early days from bad debts, are now too circumspect, but any company that cannot find satisfaction with one factor may find a more agreeable partner in another, and over time, as the two parties to the agreement get to know each other, the relationship is likely to improve. For every company that has a bad experience of factors there are many more that attribute their expansion to the factors' contribution.

Factors also maintain that they work for a much wider spread of clients these days, ranging from divisions of some of the largest companies in the country, to small concerns with sales of £100,000 a year. Some indeed, like Arbuthnot, specialise in small companies; others will quite happily take on service companies. Many were originally employed as a source of finance, and have stayed on as their clients expanded.

Basically the factor becomes the one debtor of a company, releasing capital, releasing management to concentrate on money making matters, and streamlining the financial side. A factor can save on credit insurance premiums, provide the cash for bulk purchases, and improve the credit rating of a company. All these services cost money, but as well as increasing the efficiency of a company a good agreement with a factor can also save money, even if only marginally.

Factoring in the U.K. is now a stable industry. One factor, Bank American-Williams Glyn, is having problems with the withdrawal of Williams Glyn, but the three biggest concerns are subsidiaries of major banks, and are now starting to be promoted by their owners. The biggest factor, Credit Factoring, part of National Westminster, claims to be currently factoring at the rate of £240m. turnover a year, and has two hundred clients. International Factors, owned by Lloyds Bank and Scottish Finance, has just announced a profit of £456,000 on a turnover of £126m. from a 140 clients. Griffin, the Midlands factoring concern, had its best month ever in November, when it was handling, on an annual basis, £132m. worth of business, and worked for a hundred companies. Barclays also has a factoring operation.

Discounting

The other leading factors are Alex Lawrie, also owned now by Lloyds and Scottish, and the leading recourse factor (which means it does not offer credit insurance); H & H Factors, mainly owned by the American Walter Heller Corporation, with some investment from Hambros; Mercantile Credit; and Arbuthnot. There are also companies offering the related se invoice discounting, w really the buying of de

Most of these compan aid in what could be the growth area of factor ports. A factor can take financial uncertainty exporting. The big one have their own branches, or contact foreign factors, and for exports become as str ward as home sales. also have experience t seas customers (or can information) so they are advise on the credit wo of buyers.

Large companies, or d of them that look afte own internal financial sometimes use a factor ports. The costs may much more than tha domestic charges. Co like International now fifth or more of their t from factoring clients e but there is still trem potential in this area, n for the small expanding panies, who are the domestic clients of a fact also for the larger firm quite rightly see exports key to profitability in 19

Antony Thorn

[R]eturn to the [E]uromarkets

..RETURNED to the ..s as a major ..st year after making .. of these *facilities* ..5. Publicised U.K. .. either in the form .. international bond .. medium-term Euro- .. credits exceeded .. 1976 compared with .. in the previous .. that 1976 was any ..ord year for British .. these markets, as ..exceeded $5.7bn. in ..4bn. in 1973. But .. U.K. was the fourth ..market *borrower*— .., Brazil and France. .. all four countries ..ly running substan- ..l payments deficits .. one *explanation* for ..wing activities. In ..se, however, there .. added incentive of .. abroad as much as .. order to minimise ..ing-out effect on ..r borrowers with- ..estic market.

..sk of oversimplifica- ..uromarkets can be .. into four broad cate- .. Eurobonds, foreign .. inside the U.S. (so- ..ee Bonds), foreign ..d outside the U.S., ..m-term syndicated ..

.., the greater part ..*rowing* in *the Euro-* ..ok the form of ..n rollover credits, .. a maturity of five ..ars and at floating ..rest. This accounted .. of the $2.6bn. total ..gely in the form of .. industry and public ..rowing under the .. exchange cover ..heme. Already this ..n has raised $1½bn. ..et with the Govern- ..nbo" loan.

..tant

.. corporate finance ..e important market ..national bond sec- .. borrowers raised ..ss ..n $1bn., of which ..50..was borrowed in ..bo..market proper— ..on..underwritten by ..atio.. syndicate and ..ocip.. in countries ..in th..country of the ..in w..h the issue is ..ted. ..tional ..ond markets .. attrac..e source of ..rougho..1976 because ..was ..ntiful and ..rates w.. declining. ..banks, w..e activities .. the ..romarkets. ..derlent ..cause of .. domes.. home ..and anxio.. to lend

internationally. For a country with a stable or strong currency, the Eurobond market was therefore one to be exploited and even those with suspect currencies — such as France and Canada—borrowed very heavily indeed in this field.

Depreciating

But for British borrowers, with sterling depreciating sharply, the Eurobond market's attractions were largely restricted to those companies with substantial foreign earnings—possibly in the currency in which they were raising loans. A U.K. company borrowing in Deutschemarks in January last year would by December have been faced with an increase of some 25 per cent. in its liability expressed in sterling terms. Given the weakness of the currency during 1976 this was a powerful constraint on the volume of U.K. Eurobond borrowing.

In addition to this major deterrent, two other considerations were important. First, the Eurobond market is not one where small or lesser-known borrowers have thrived in the past. If one looks at the 1976 list of borrowers, one sees Midland Bank, NatWest, Lloyds, Bowater, Beechams, ICI, Barclays, etc. In other words, a market largely restricted to triple-A names.

Secondly, the weakness of the currency and the bad Press that the U.K. has been getting, particularly in Europe, appears to have given rise to a significant degree of investor resistance to British names. The experience of the latter part of 1976 was such that U.K. names needed to offer a more generous return than strictly comparable counterparts on the Continent or elsewhere. In many respects this was illogical and emotional, but just as very frequently a large inefficient company finds *easier access to capital* than a small but highly efficient one, there is what has been called a "fact of life" situation that seems unlikely to change in the near term.

But as the outlook for sterling has brightened in the foreign exchange markets, so sentiment in the Eurobond markets—both primary and secondary — has improved for U.K. names. This has given rise to the feeling that 1977 could turn out to be an opportune time for U.K. corporate names to tap these markets. Indeed, in the first ten weeks of the year borrowings by U.K. companies in the *Eurobond market have* exceeded $550m. — *if one in-*cludes Shell International Finance, which placed $300m. in the dollar sector and raised a further DM200m. in the Deutschemark market. (Shell is *classified as a multinational*, but in the light of its big U.K. interests can be regarded partly as a U.K. credit.) The other borrowers have been ICI, EMI, Williams and Glyn's Bank — with a $40m. floating rate note —and two convertibles for Inchcape ($25m.) and Compair ($10m.). A large *floating* rate note issue (for about $75m.) is expected shortly for Natwest Bank.

Certainly the fundamentals are right. While international bond yields have not fallen yet to their low levels of 1972, the yield on U.S. corporate bonds (in the dollar sector) at 7.64 per cent. in January was well down on the December, 1974 figures of 9.35 per cent.

So far as European companies borrowing in U.S. dollars are concerned, the yield in the second half of last year was in the 8½ per cent. to 9 per cent. range as against 11½ per cent. two years previously. In January it was 8½ per cent. (Morgan Guaranty figures).

This decline in yields reflects a combination of two factors—*the tendency to trim coupons* on new issues consistent with falling inflation rates and a highly liquid international capital market on the one hand, and on the other the strength of the secondary market, which pushed bond prices sharply higher in the latter part of last year. Indeed, the medium-term Bondtrade Index (relating to paper with a two to seven years' maturity) ended 1976 at its highest level since *its compilation started* in 1967, while the long-term index of bond prices was at a 3½-year high.

When compared with interest rates in the domestic capital market, the attractions of such borrowing to a U.K. company must be considerable—always subject to the crucial provisos of a stable foreign exchange rate, or access to significant foreign currency earnings.

A further attraction is the *tendency towards longer* maturities. After the trauma of 1973-74 when the Eurobond market was buffeted by the secondary banking crisis, the upsurge in inflation and the international monetary upheavals, there was a tendency last year for maturities to lengthen again after being drastically shortened *during* the period of crisis.

An added incentive is the market's preference for *corporate names*. Any *breakdown* of Eurobond issues last year shows a very high proportion of Government and quasi-Government borrowers. Eurobond investors have, time and again, shown a preference for the top quality corporate name rather than the State-owned gas or electricity utility.

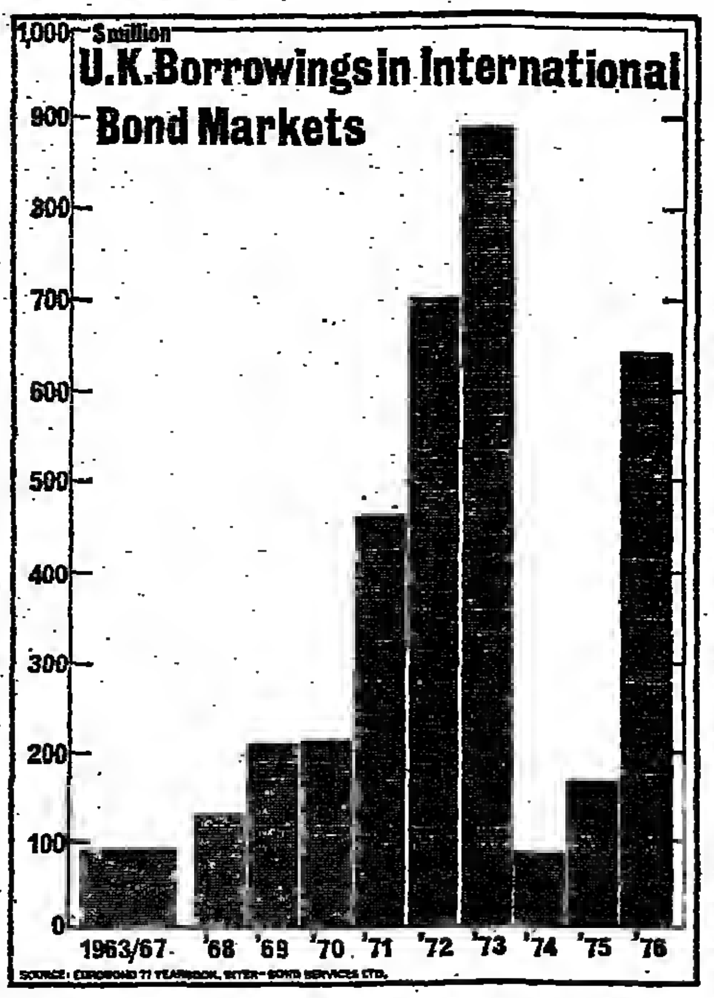
For these reasons it looks like an opportune moment for the primo quality U.K. corporate names to look again at the Eurobond market. But timing would seem to be vital. Interest rates now look to have bottomed out in the Euromarket with some of the U.S. major banks increasing their prime rates. Once short-term rates start rising, then there is the danger that financial institutions and banks with bonds in their inventories will take profits, thereby depressing *prices* in the secondary market.

Once this happens, then one must anticipate a fall-off in new issue activity. Another possibility—of which there is little evidence to date—is that U.S. borrowers, who up to now have been able to raise funds *on more favourable terms in* the domestic New York market, will turn their eyes east once again. Last year's highly successful Dow Chemical $120m. private placing and the subsequent $200m. private placing on exceptionally favourable terms by Mobil, could represent the tip of the iceberg. From the U.K. viewpoint, the return of U.S. corporate borrowers would make it more difficult to exploit the market.

It would be idle to pretend that U.K. names were well-received in the bond market last year. The Midland Bank $75m. 10-year issue started disappointingly, as did this year's $100m. private placing for ICI. The ICI paper was traded as low as 97 at one point, despite the fact that it was issued on an 8½ per cent. coupon, which for 10-year paper represented something of a premium under market conditions then ruling. However, the issue has improved markedly in recent trading and a similar comment applies to the Midland paper, issued at 99 and now trading at 101¼. The Williams and Glyn's floater, priced at par, has been trading recently at around 100¼. *All of this suggests* a significant improvement in the U.K. credit image compared with the latter half of 1976.

It is generally anticipated that primary market activity in the Eurobond market will lose some of its 1976 momentum this year, but by the end of the first quarter U.K. names are likely to have borrowed at least as much as last year, implying that the British borrowing "share" of the market will be higher than the 1976 4.2 per cent.

Tony Hawkins



Three countries have borrowed more than Britain in the international bond markets since 1963—the U.S. ($9.6bn), France ($4.5bn.) and Canada ($4bn.). Source: Eurobond 77 Yearbook, Inter-bond Services Ltd.

Quiet days on the stock market

STOCK MARKET finance for companies has centred almost entirely on rights issues for the second year running. But even here activity has been relatively low since the middle of 1976 when ICI's £200m. issue in May marked something of a peak period for funding in this way. And the upsurge in the equity market since October, with the FT 30-Share index rising by more than 50 per cent. in 5 months, has so far failed to revive the fashion to any real extent.

There were some direct new issues of equity last year but these brave attempts could almost be counted on one hand and they never really looked like setting off any positive trend. As for the market in funded debt, the going rate for fixed-term finance was as high as 17 per cent. or so at one time last year, and although interest rates have fallen sharply in recent months this end of the financial markets has stayed locked in limbo.

Statistics compiled by the Midland Bank show that in 1976 the *total* new money raised by the issue on the Stock Exchange of marketable securities (other than Government stock) was £1.46bn. Although this is £29m. below 1975's record figure for new finance it is still the second highest total ever; roughly three-quarters of the £1.46bn. was raised during the first half of the year. New finance for companies accounted for £1.16bn., or roughly four-fifths of the total. Altogether some 168 individual companies were involved.

As the second largest rights issue ever undertaken in London—the largest was the £214m. raised by British Leyland, to which the Government mostly subscribed—the ICI funding understandably dominated the year and pushed May into the position of most active month, with March the only other month to top the £200m. mark. Other large rights issues of Ordinary shares came from Lloyds Bank (£76m.), National Westminster Bank (£67m.) General Accident (£45m.) and Lucas Industries (£44m.).

But the financial sectors did not dominate the demand for shareholders' cash in quite the same way as in 1975. New rights finance by the financial sectors dropped from £496m. to £303m. Capital goods, consumer goods (both durable and non durable) and the commodity groupings all raised less than in 1975. It was left to the all embracing "other group" to lead the way up with a massive jump from £221m. in 1975 to £434m. last year.

In striking contrast the market in fixed term finance has dwindled to even lower levels in 1976; the amount of new money raised by debentures, loan stocks and convertibles more than halved from £313m. to £92m. There was a huge *decline* in new *issues* of convertibles, while the drop in new conventional debt was at least limited to about a fifth.

Constraints

The depression in new issues in the debt market now stretches back to 1972. And despite the recent decline in interest rates and some modest attempts by the Government to ease the monetary constraints upon fixed term finance (for example, stamp duty on all non convertible stocks was abolished in May) the outlook remains bleak.

At the *start* of 1976 *Minimum* Lending Rate was 10 per cent. and falling. It actually moved down to 9 per cent. by March but thereafter the trend was *dramatically* reversed as the Government's monetary policy came under increasing pressure. MLR is now a full 4½ points under the 15 per cent. touched last October. But at this stage few market traders are taking bets that a year hence the market in loans and debentures will have expanded by much more than the nominal amounts seen in 1976.

Market forces are pushing interest rates down but for a number of reasons the Government is unwilling to let this trend have its head. Having mushroomed in recent years to support public spending, the Government's gilt edged financing programme is going to stay massive throughout 1977.

At the same time, the need to protect sterling is ever in the background—despite the good news about the "safety net" for the official sterling balances. North Sea oil can restore some order to the balance of payments —which the U.K. has been running at a deficit for so long— there is going to be a continuing need to woo foreign investment in sterling through interest rates higher than the world average.

So to this extent high money *costs are* likely to *remain a burden* to the corporate sector. At their present levels most company finance directors find interest rates prohibitive in terms of industry's rates of return on capital employed. This explains why last year a number of companies that did not immediately need their rights cash to reduce bank borrowings put the money into the gilt edged market rather than plough it back directly into their businesses.

For the first time since 1973, companies sought new money at the same time that they applied for a Stock Exchange quotation. Four such issues were made—by *Wilson Walton Engineering*, Hambro Life Assurance, Molins and Thomas Borthwick. Other new quotations came from housebuilder William Leach, Electra Investment Trust and Willis Faber. Hambro Life was the first major public offer for sale since the flotation of J. Sainsbury back in 1973. Only a fifth of the company was offered to the public, but it was nonetheless an event of considerable interest.

The company was built from scratch in just five years and over that time new annual premiums rose from £1.6m. in 1971 to £19m. for 1975: total *annual premiums received* net of reassurances grew from £1.1m. to almost £40m. The offer was heavily over-subscribed despite the general weakness of the equity market at that time (July). That weakness was reflected more accurately in the outcome of two other major offers for sale, and in the way Willis Faber switched its plans from an offer to an introduction.

Both the Molins and Thomas Borthwick offers were left in part with the underwriters, and both share prices opened at substantial discounts to offer prices on first day dealings. Borthwick's first day discount extended to more than an eighth.

Jeffrey Brown

Hire purchase growth

..IANCE houses ..ave ..n recent weeks a ..upsurge in inquiries ..ustrial hire purchase ..d before Christmas ..panies feared that a ..ugh credit squeeze .. one of the adverse ..ey would have to face

.."corset" tightened on ..ng banks there were ..at the banks would .. room for manoeuvre ..en manufacturing in- ..uld find it difficult to .. them the cash. It ..n such circumstances ..ble finance director ..e been looking at all ..native sources of ..d making sure that ..oors as possible were .. for his company.

..t years it has become ..mon for larger com- .. make arrangements ..ce houses for lines of .. credit which allow a ..o complete any num- ..vidual transactions up ..el of a total sum pre- ..ranged. This has the ..implifying procedures .. viewpoint of both ..and finance house. It ..is that in times like ..ut many companies .. up such lines of ..hout having to specify ..t items of equipment .. which will be bought ..borrowed cash.

..se the finance houses ..s are also subject to ..ures of the "corset" ..are different from the ..anks in that they can .. a regular inflow of ..ch can be redeployed. ..h flow continues to be ..ecause interest pay- ..ne in regularly along ..capital repayments on ..g loans.

..r reason for the latest ..in demand for indus- ..purchase could be that ..ge the finance houses .. putting over for the ..years—about the bene- ..eir variable interest rates—is becoming more widely understood. The kind of medium-term loans which would be needed by most industrial companies would almost certainly have a sliding rate of interest based on the Finance Houses Association base rate.

This rate was specifically introduced for deals involving industrial and commercial customers. The idea is that the finance houses arrive at a true and flexible rate of interest geared to the real cost of the money they have to borrow themselves. Published daily in the Financial Times, the FHA base rate is calculated monthly by reference to the inter-bank three-month rate, the effect being that long-term agreements have more flexible rates of *interest*.

Competitively

The finance houses maintain that *this benefits the customer* because they can quote more competitively in the knowledge that they will not get badly caught should interest rates jump sharply some time before the agreement is concluded. The variable rate certainly protected the finance houses in recent months when interest rates roared upwards to unprecedented heights.

With industrial hire purchase, though, they can go right ahead in the sure knowledge that the rate they pay on any loan will come down in line with any general decline in interest rates.

When interest rates are high companies hold back in the expectation that they will come down to more reasonable levels.

Most of the members of the Finance Houses Association already lend more in total to industry than to private borrowers. And they are willing to see the balance move even more in favour of the manufacturing industry — but only within certain limits.

The point is that the finance houses have to borrow money themselves and are more determined than ever after the traumas which have rocked the U.K. financial system not to fall in the trap of lending long while borrowing short.

The majority of loans to private borrowers are for two years *maximum* whereas industrial credit can stretch to five years, with three years being common. So the finance houses must keep a considerable part of their lending going in the direction of the private borrower if they are to avoid problems with their own borrowing requirements.

Where the "corset" affected finance houses in particular is that, in the words of one executive, "a credit squeeze takes all the adventurousness out of lending." By this he means that when a lending institution is in the position of having to choose who should have the little cash there is available, the lender will almost certainly choose the safest road. So those companies that have the highest credit rating will probably get *all the cash they require*. Anyone wanting to do something a little out of the ordinary, with a little more risk element in it, will have problems raising loans.

The "corset" also dampens down the marketing efforts of all financial organisations —the finance houses among them. There is no point in launching a new scheme or putting more promotional weight behind a good existing scheme if you will not be able to supply the demand for credit you have created. And it should be remembered that, even though in practice it might not be very apparent, in fact there is still a "credit squeeze" being operated by the Bank of England.

Even before the credit squeeze became a fact of financial life the finance houses had been treating industrial loans with more caution than in the past.

Ideally they would like to spread their business into as many industrial baskets as possible while the economic outlook remains uncertain. So the finance houses do not want the (by their standards) very large deals which had begun to become a part of their lending scene.

Loans of £500,000 or more were becoming fairly common. Now an industrial customer would have to shop around for quite a time to find a finance house ready to put up that kind of cash. But such deals are still being done. The terms of a loan are also likely to be more restricted than during the boom times when the finance houses were stretching into the medium-term market and offering money, in some circumstances, for up to seven years.

Individual

Instalment credit companies in general tailor each agreement to suit the individual company and the individual deal. The prime consideration, so far as the finance house is concerned is whether the company getting the advance is creditworthy and will be able to pay back. This often means that discussions will take place in which the finance house will ask for details on when the plant or equipment covered by the loan will be in full operation and when it will come to maximum earning power.

With forward planning particularly difficult for many industrialists at the moment, getting out finer points of detail can be almost impossible. But without them there can be no loan. For although the finance houses always ran a careful eye over any company asking for a loan, many of them are these days going more deeply than ever into a company's pedigree before entrusting it with cash.

Kenneth Gooding

High interest rates check recovery

THE EXACT influence of interest rates on industrial activity and investment is a subject of continuing, and still inconclusive, debate. But there is little dispute that the sharp rise in nominal interest rates last year acted, in combinatioo with other factors, as a check on the rate of economic recovery. Conversely, the sharp and rapid fall io clearing bank base rates this year—down from 14 to 10½ per ceot. in two months—bas clearly contributed to the pick-up in business confidence shown in recent surveys.

It is less clear, bowever, how and whether tbe general increase io relative business optimism following the turnround in financial markets will translate itself into greater investment or stockbuilding. Moreover, despite the fall in interest rates in the last couple of mootbs, the cost of bank fioaoce is still higher now than at any time before the last two years.

This has produced an increasing burdeo of nominal ioterest payments relative to total profits: between 1959 and 1974 interest payments have risen from 13 to 87 per cent. of real (tbat is inflation adjusted) pretax profits of industrial and commercial companies.

A high level of nominal ioterest rates can of course be somewhat deceptive at a time of rapid inflation. A Natiooal Economic Development Office study on investment and financing showed, for example, that bank overdrafts cost an average of minus 1.89 per cent. a year after tax io real terms between 1967 and 1973. This compares with minus 0.34 per cent. in France aod plus 0.67 per cent. in West Germany for the saoie period.

If the expected rate of inflatioo over any given time exceeds the oomioal interest rate for loans of a similar term, then it should in theory he profitable to borrow merely to hold physical stocks durlog that period. Decisioos to invest in fixed assets should depend oo inflationary expectations and the expected cost of borrowings over tbe whole life of the project.

This subject was examined in detail in ao article by John Flemming aod others in last June's Issue of the Bank of England Quarterly Bulletio. This pointed out that expected inflation will increase the anticipated return from investment in money terms. Although this will tend to offset the discouragement of haviog to pay high rates of interest, the borrower has to take other points into account.

By raising nominal interest rates, inflation effectively shortens the life of "long-term loans": interest payments will normally be constant in money terms throughout the life of the loan, whereas revenue will rise with inflation. The authors maintain that even if revenue comfortably exceeds interest payments over the wbole period, casb flow may well be negative in the earlier years, thna requiring refinance at uncertain interest rates.

Average

Moreover, expectations about inflation refer to an average rate over the wbole term of the loan. But not only are these expectations likely to be unobservable but they are also unlikely to be held with any great confidence, so that even if loog-term interest rates are low compared with the current rate of inflation, borrowing may still be discouraged by the possibility of a fall in the rate of inflation.

The article projects the impact of varying rates of inflation with a 20-year bond with a 15 per cent. coupon. If inflation continues throughout the 20 years at 20 per cent. a year casb flow is initially negative but becomes positive in tbe seveoth year, and in the final year is more than sufficient to redeem the bond. But if inflation moderates, averaging 5 per cent. a year for the last 15 years of the term, then the casb flow will be negative until the 18th year and there is no possibility of redeeming the bond out of the returns from the project.

In sum, as the authors point out, for a borrower seeking to avoid risks, tbe possibility of a significant fall in the rate of inflation will raise the subjective real cost of long-term fixed ioterest debt far above the differeoce between current oominal interest rates and the high current rate of inflation.

The uncertainties will he particularly great when the rate of inflation bas been both historically high and unusually variable from year to year. This explains why bardly any companies bave attempted to raise debentures or unsecured loan stocks over the last couple of years and why the ratio of sbort to long-term debt has dnubled since the early 1960s.

Aa Mr. Flemming haa argued in a recent speech, hopes that rates will fall (as well as uncertainty about their course) will encourage borrowing on a sbort-term basis, but companies may not be sure they will be able to roll this over. This is one of a number of problems caused by high nominal interest rates—another being the strain on caab flow already mentioned. For companies with large short debt, high interest rates contribute to their tax allowances and the elimination of mainstream corporation tax liability. If this is expected to persist, the value of other tax allowances designed to stimulate investment will be reduced.

The Bank of England Quarterly Bulletin article also attempts to take account of other sources of finance, including the valne of the equity in the company as well as debt. The authors calculate the cost of capital as the ratio of profits (adjusted for tax) to the financial valuation of companies and the rate of return aa the ratio of profita to physical capital employed, valued at replacement cost. Relative profitability, or the valnation ratio, is the ratio of the financial valuation to the tax-adjusted replacement cost of capital.

Ratio

This valuation ratio moves cyclically because of movements in the capital market but has also sbown an underlying downward trend, so that by 1975 the financial valnation of companies' earnings on their physical capital was only around half the cost of replacing these assets with similar assets. This is hardly an inceotive to invest and the downward trend in the valuation ratio has been paralleled by a decline also in the level of investment.

High nominal interest rates only play one part in this picture, alongside low output, low profitability and the associated sqneeze on (relatively) cheaper internal finance from the fall in real profits. But there is no donbt that the rise in interest rates coupled with uncertainties both about the future rate of inflation and profitability have led to a cutting back of investment plans.

Most companies would not base their investment strategies on interest rates alone. Some projects would anyway he approved at current levels since they offer a sufficiently high discounted rate nf return while others involve replacement or expansion nf an essential part of an operation. The type of scheme most likely to be affected is a marginal investment with uncertain returns.

In any event, industrialists are hoping for a sustained fall in interest rates to a lower level if the manufacturing investment reeovery, which has so far been modest, is to gain momentum. Interest rates have already come down sharply from their crisis level last autumn with the Bank of England's Minimum Lending Rate now some 4½ points lower than its peak of 15 per cent.

Indeed the decline has been mnch more rapid than expected at the beginning of the year when Mr. Denis Healey, the Chancellor of the Exchequer, said he expected only a gradual fall in rates during the first balf of 1977. But the sharp turnround in confidence in financial markets following the agreement on the IMF loan and the Basle agreement on the future of the official sterling balances bas triggered off a more rapid decline in rates.

The improvement in confidence and the self-feeding belief that interest rates would fall has been reflected in the massive sales of gilt-edged stocks. The response of the authorities, as noted in last week's Bank of England Quarterly Bulletin, has been to exert a moderating influence on the surge of market sentiment, "which appeared at times to be in danger of neglecting the uncertainties ahead."

However, the authorities' success has been limited as Treasury Bill rates at the weekly tender continued to decline sharply throughout January and the Bank had to intervene in early February to check the rate of decline. But while MLR itself remained unchanged during February, the underlying pressures on rates were still downwards.

So when in early March, the Bank reduced MLR by one polnt in an attempt to re-engage with the rate indicated ... formula, the mo... followed by a sha... ing bank base ... Healey said last ... pected a further ... rest of the year, ... of the decline w... the longer-term ... in the rate of in...

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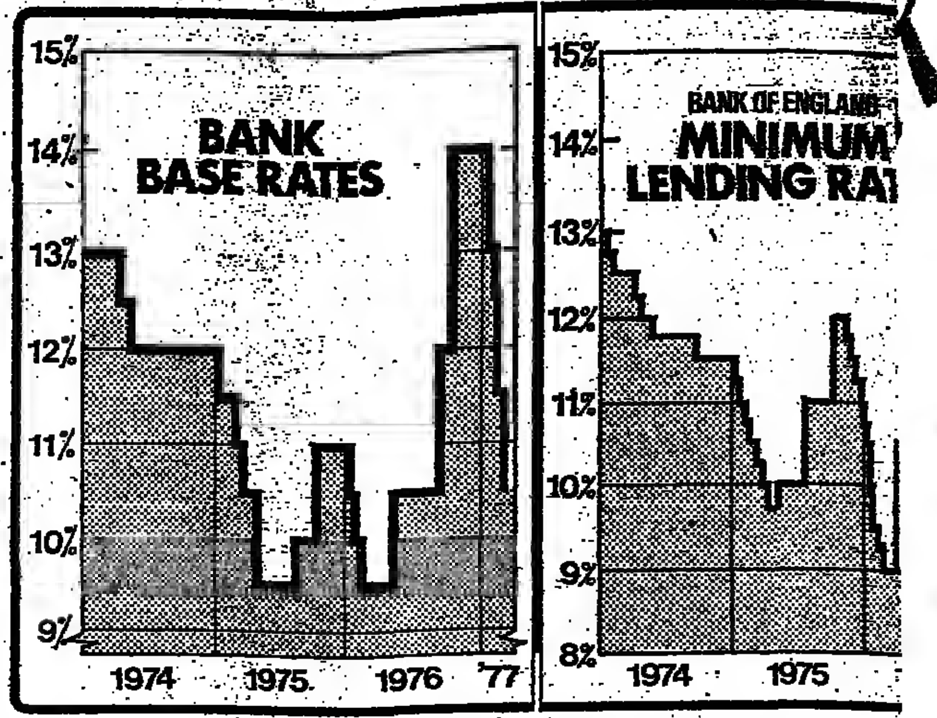


The choices for industry

GAPS, POTENTIAL or actual, in financing facilities for Britisb companies have loog been a talking point in finaocial and political circles, and never more so than in the past two years when the sluggish state of industrial investment has caused concern.

One of the chief responses to these much discussed financing needs has been found in the bank-backed Finance for Industry, reorganised in 1973 and now embracing the long-established Industrial and Commercial Finance Corporation, which backs smaller concerns, and a lately streogthened lending arm, Finance Corporation for Industry.

Together these two sides of FFI, wbose capital is owned by the Bank of England and the big banks, bave more than 2,100 companies on their books. Their total outstanding loans, investments and other assets exceed £600m., wbile FCI Is prepared for a major expansion of Its lending if and wben the need arises.

Mucb the most significant development in this field in recent years was the setting up early in 1975 of the £1bn. medium-term loan facility through FCI, desigoed at first primarily to alleviate the cash famine threatening a wide range of companies in late-1974.

However, the use of tbis new facility has grown mucb more slowly than was at first envlsaged, and for several reasons. First, Government tax and credit relaxations at the end of 1974 progressively eased the liquidity pressures oo industry, just as the new facility became available, so reducing the immediate need for it.

Then the industrial downturn soon afterwards spread across industry, weakening the incentive to undertake expansion and modernisation, particularly against the background of record interest rates. The recessinn ia still not dispersed, thongb it is showing signs of lifting and there are now official bopes of a 10 per cent. to 15 per cent. rally io manufacturers' capital investment this year.

Finally, as a further response to persistent complaints over tbe supposed inadequacy of financing facilities, the big clearing banks have greatly enlarged their medium-term lending to over £2.5bn., or some 40 per cent. of lending, excluding special export and shipbuilding credits. This has had the inevitable result of competing to some degree with facilities available from FCI. The latter has adjusted to the sltuation by somewhat lengthening the period of its medium-term loans from an initial 7 to 10 years to 7 to 12 years if deslred, so making available ratber longer term finance than is customary even under the big banks' enlarged medium-term business.

Advances

To date, advances under the £1bn. plan — originally inspired by an initiative from Mr. Harold Lever, Cbancellor of the Duchy of Laocaster, wbich was taken up by FFI and the banks — have amounted to little more than £220m. wbereas the wbole initial sum had been expected to be needed io 1975 and 1976. Total commitments to lend, including the sum already advanced, amount to around £280m.

Limited as this is, measured against the first estimates, it is nonetheless large enough to bave proved that there is a real role for the special financing institution able to put up sizeable medium-term funds which may be provided on adjustable interest rate terms. This is particularly true at a time, such as last year and early this, when interest rates bave been exceptionally high and companies have not been willing to sboulder the ohligation to pay very high fixed-interest rates for up to 20 years for borrowing through quoted loan stocks.

The past year has seen a growing list of major concerns which bave found a financial need, in varying circumstances, met from FCI. Among well-known names which have so far borrowed under the £1bn. facility are Dunlop, which has raised £25m., J. Lyons, which bas borrowed £20m., Distillers and Pilkington Brothers, £15m. each, and Weir Gronp, £11½m.

Beaverbrook Newspapers has raised £8m. in this way and Vaux Breweries £4m., while a number of other loans, not as yet disclosed, bave been provided.

FCI offers two alternative interest rate arrangements. One is a fixed rate throughout the borrowing term, related to market conditions at the outset. Around 15-15½ per cent. would be cbarged at the moment under this system to a borrower of high-class blue chip standing. The other is a variable rate, adjustable every few months, and geared to the London interbank offered rate with an addition of 2¼ per cent. This would now give a starting rate of abont 12¼ per cent.

Up to now the cboice of borrowers has split fairly eqnally between the two types of arrangement, preferences naturally varying over time and tending to favour the adjustable formula wben, as recently and, probably, at present, rates are expected to decline.

One interesting feature of the system for vetting applications for medium-term loans from FCI is that senior representatives of the clearing banks—FFI's principal shareboIders—play an active role in the scrutiny.

This is done in the interests of co-ordinating information relevant to decisions on applications from companies, whicb will generally be well known to the clearing banks, of which they are normally already customers. Prospective borrowers are notified that FCI must be free to discuss a case with the bank concerned.

There is nn suggestion that this is a defensive move by the hanks, to check that business is not drawn away from them, although nowadays they and FCI are all in the bnsiness of medium-term lending.

After the relatively slow start with FCI's lending activity over the past two years, present signs are that there is just a little more inquiry about borrowing possibilities as indications appear of falling interest rates and more revival in the economy.

FFI, which has £89m. of issued share capital, last month reinforced its own resources, and took advantage of the fall in interest rates, by launching £50m. of 14 per cent. unsecured loan stock 1983, following a 13 per cent. issue of £75m. stock two years earlier. This issue effectively funded fixed-term loans made over the past year—at a margin below the average interest rate receivable. FFI also bas standby facilities of £400m. from its shareholding banks.

ICFC, the arm of FFI which was founded in 1945 to cater for the financing needs of a range of smaller concerns bas an extensive network of 18 branches tbroughont the U.K. ontside its London headquarters and both lends to and takes shares takes in companies. It has often in the past subsequently brought its protegés to the stock market. Its outstanding loans and investments amount to about £180m.

ICFC's investment activity slowed down considerably in 1975-76 because of the recession. But in the half-year to September 1976, £11.7m. was provided in various ways to 147 companies, compared with £9.4m. to 116 concerns a year earlier.

Here again, current signs are that there is a mild increase in demand for ICFC facilities, though not of any major upsurge in activity.

Losses

ICFC proved no more immune than other investing institutiona to the losses widely incurred in the financial world in 1974-75. Largely because of this, the FFI group's result for that year was a pre-tax loss of £19.9m., after special provisions of £24.5m.

A substantial improvement took place, however, in 1975-76, wben there was a pre-tax profit of £7.5m. after provisions of £9.1m. In the first six months of the present year pre-tax profit was £1m. higher than a year earlier at £4.2m. after a £1m. transfer to the pension fund, self-managed over the past three years.

FFI also has a stake of some 10 per cent. in Equity Capital for Industry, the City's new equity bank, with which it is expected to work closely, probably by providing loan finance in packages along with ECI's investment in the share capital of appropriate companies.

The need for specialist financial institutions to channel capital to smaller companies, both private and quoted, has tended to grow with the emergence of conditions making it less feasible for concerns with under £1m. or so profit to float their shares on the market. The requirements of smaller businesses which at one time would bave gone pnblic, bnt now do not do so, would probably bave been more acutely felt had not the depression been holding back new investment throughout Industry.

A £15m. new company, Moracrest Investments, has been set up lately by three major financial institutions—Prudential Assurance, Midla... the British Gas ... funds—to back ... companies with ... £500,000, against ... of between 10 pe... per cent.

The National C... sion funds are ... earmark substa... total to back pr... companies.

One private ... specialising in p... for smaller ... Gresham Tru... accumulated a ... ings in such ... Midlands and ... recent subdue... ever, Gresha... has three new ... kind in the ... Interest ... being taken ... house Deve... cern lately set up, ... tutional ... bouse Gr... which conducte... ment bu... with an exte... range panies.

The ... concern... chiefly ... money i... compa... but some smalle... quoted ones, made two small ... Other are expected withi... a few weeks.

Marga...

Exporter

CONTINUED FROM PAGE IV

if it is in dollars, while the contractor is still paid in sterling, the currency In which he does his costings, etc., for the project. It also brings an immediate cash beoefit to the balance of payments.

One drawback is that the exporter will bave to pay a bigher ECGD premium because the total amount is drawn at ooce. Other banks are therefore working on other permotations wbere any available gains on interest rate differentials or whatever comes direct to the contractor rather than the buyer.

But resistance of overseas buyers is only one of several problems which may well he resolved in time, but for the present are tending to delay negotiations, particularly cn those contracts wbere discussion with the buyer had progressed quite far on a sterling basis before the new scheme. Although ECGD has said it will be flexible in such cases wherever possible it will try to get the deal switched to a foreign currency.

Documentation is also understood to be a problem, while varioua technical difficulties require new solutions. One is that Euromarket borrowings are usually short-term, while buyer credits can often run over a period of 10 years or more. So to cover a situation where tbe banks may have difficulties in matching their commitments ECGD bas been empowered to step in as guarantor for continued availability of foreign currency. This would have to come from public funds but a limit of 10bn. SDRs bas been set under a new Bill with provision for stage increases to a total of 25bn. SDRs. Annther unresolved issue is that the guarantees provided on export credits differ from those required by the Euromarket.

Another criticism is that arranging buyer credita in foreign currencies makes the wbole transaction far too complicated. Not all companies have the sopbisticated expertise to cope, though clearly their banks should. And despite the new cover whicb ECGD provides it still leaves the contractor exposed to currency fluctuations which may take place between the time when he submits his bid and the contract is awarded—too much of a guessing game for some.

Protestations over any new scheme are inevitable until the often unforeseen problems are ironed out. Most consider foreign currency financing to be a valuable scheme for the right company in the right market even if it has come two or three years later than it sbonld. The main objection is its blanket application. Obviously ECGD has to take a bard line if it is to achieve the targeted spending cuts but it would be ironic if British contractors became less competitive as a result and valuable contracts were lost.

Margaret Hughes

هكذا من الأصل

FOREIGNERS ARE BUYING BRITISH, EVEN IF THE BRITISH AREN'T.

In the last 4 years 12 countries have bought the Hawker Siddeley HS125 Executive Jet. We financed the buyers to the value of £12 million.

Home markets may be depressed but the predicted recovery of world trade has started right on time.

At the end of last year it was up an estimated 10%. Welcome news for a country like ours that lives by its exports.

So why aren't British salesmen coming home with bulging order books?

Why aren't factories working flat out to bring foreign currency rolling in? Why isn't our balance of payments being tipped the other way?

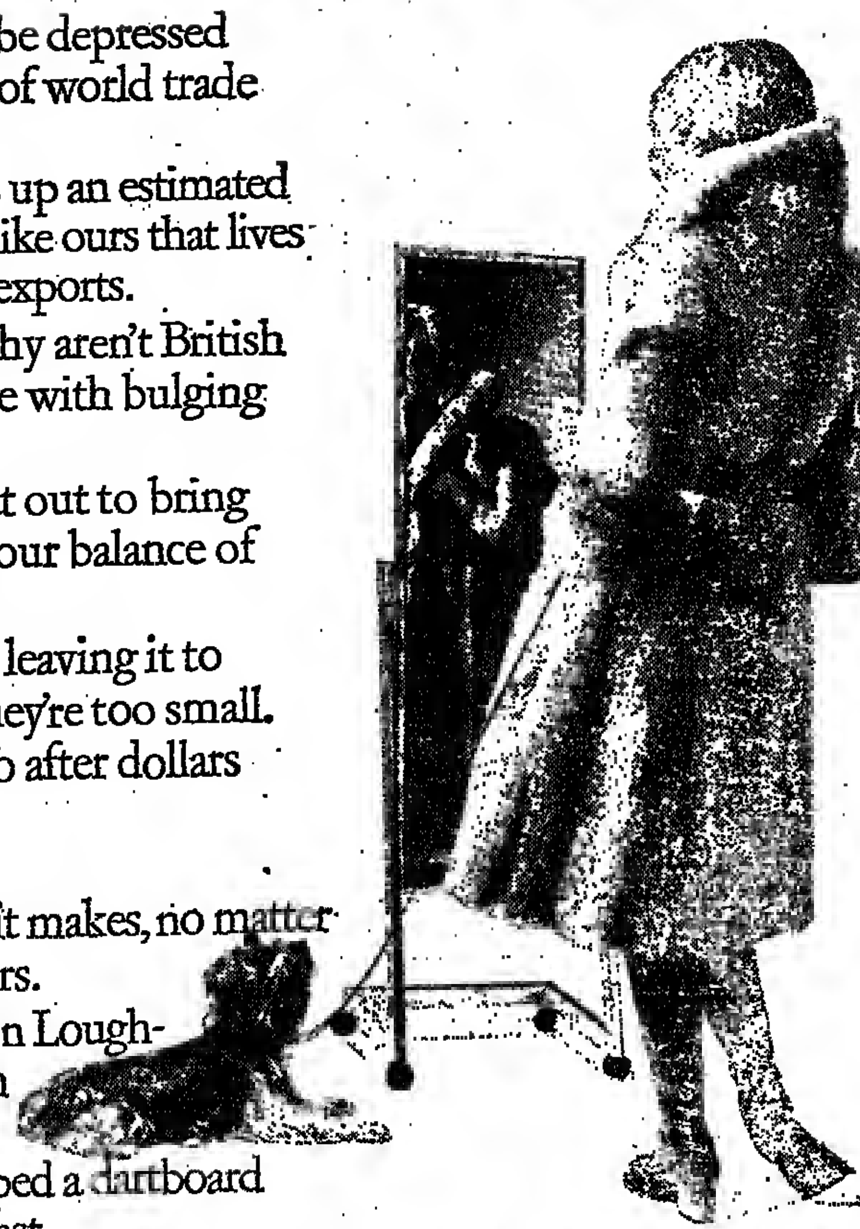
We believe it's because too many people are leaving it to someone else to make the effort. Thinking that they're too small. And it's only the ICIs and the Leylands that can go after dollars and Deutsche marks.

But they are wrong.

Every company, no matter what it makes, no matter how small it is, can chase foreign orders.

Recently we helped a small firm in Loughborough sell second-hand road rollers in Africa. We backed a grain merchant who sells to a brewery in Belgium. Helped a dartboard manufacturer who exports to the Far East.

Machines that are building Rio de Janeiro's underground system come from a firm in North Yorkshire. We made the introduction and drew up payment terms.



Astraka Ltd, a family firm selling simulated fur coats in 30 countries, needed short term finance. We eased cash flow and gave export guarantee cover up to £400,000.

There are problems, of course.

Local customs, currency premiums, insurance, tariffs and government restrictions all have to be reckoned with. The paper work alone is daunting.

While this may sound like a nightmare to you, it's merely routine to us. Exporting is something we do all day and every day.

We operate through 1,700 overseas branches in 72 countries (and that includes the USSR).

Through them we know if you should appoint an agent, set up a franchise, deal with an export merchant or sell direct.

From time to time through them, we've even opened up a market.

Last year our Hong Kong branch found a buyer desperate for chicken feet (they're a delicacy out there). British farmers are now supplying his needs.

Apart from handing out advice, the most frequent way we help is with a loan or credit facilities. This enables a company to build up stocks or re-tool to meet foreign orders.

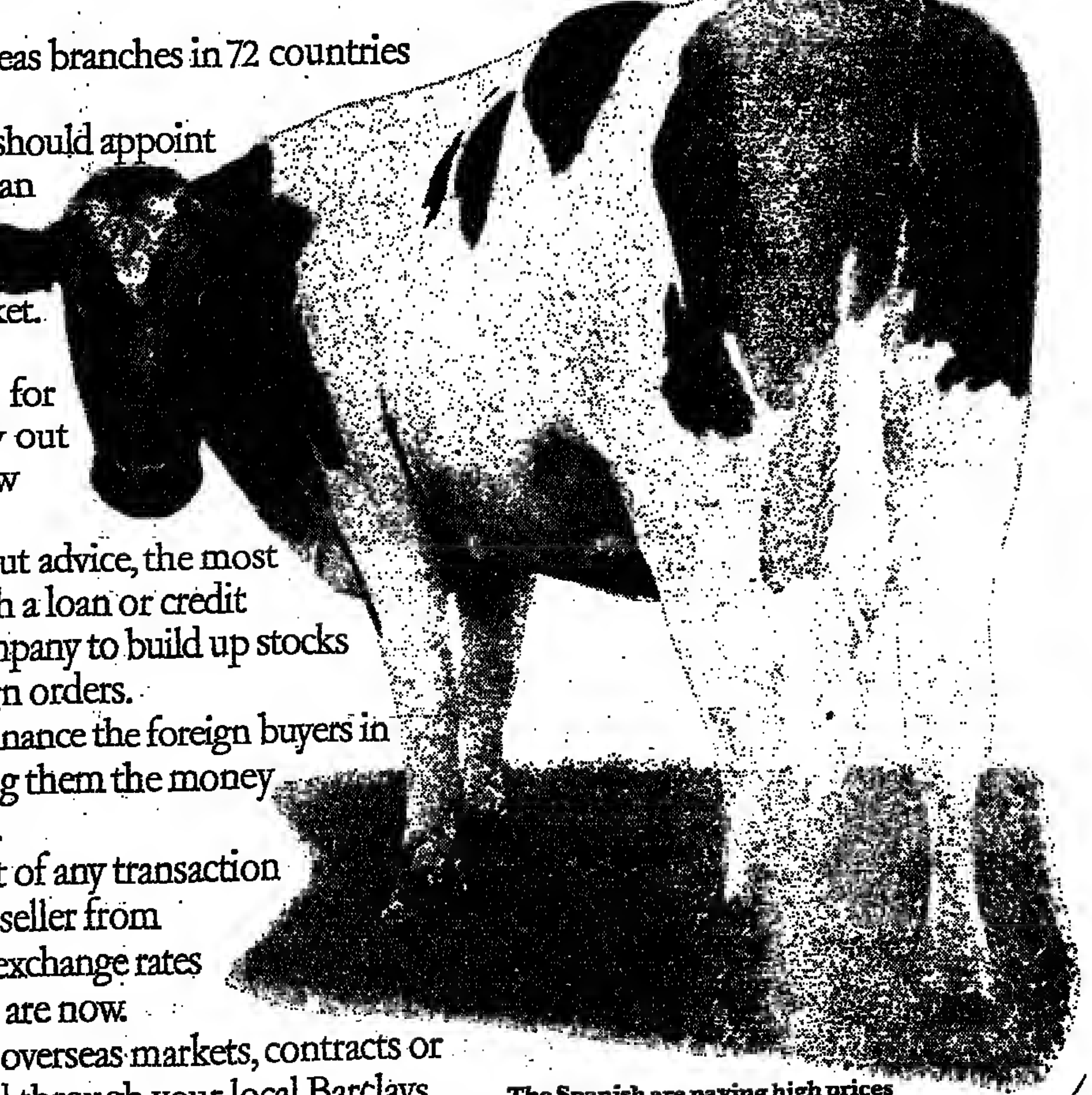
In some cases we finance the foreign buyers in the first place. Lending them the money to buy British goods.

But by far the most crucial part of any transaction is protecting both the buyer and the seller from currency fluctuations. Essential when exchange rates are up and down like a yo-yo, as they are now.

Advice on currency exchange, overseas markets, contracts or export guarantees can all be obtained through your local Barclays Bank Manager.

The phrase "Export or die" may have been coined in the 60's, but it's never been as true as it is today.

Four years ago we introduced J & G Blainford, worsted merchants, to buyers in the Far East and Middle East. Since then, they've taken export orders worth £½ million.



The Spanish are paying high prices for British heifers. We speed up, and guarantee payments from their buyers to our farmers.

BARCLAYS

Barclays Bank Ltd, Dept. EX, 16-18 New Bridge Street, London EC4. Telephone: 01-353 2383 ext. 212.

Merchant banks' role

THE SPATE of takeover activity which has been seen for several months now has highlighted in considerable detail the role of merchant banks in corporate finance. Takcovers are perhaps the single most public activity of a merchant bank's corporate finance activities, even more so than new issues because it is frequently the arguments of the merchant banks advising company Boards that come over in a tussle.

Corporate finance is a traditional activity of merchant banks, even though the stress put on these activities varies quite considerably. Among the larger merchant banks, for example, Hill Samuel and J. Henry Schroder Wagg have sizeable corporate finance departmeots, whereas at Hambros Bank there is a fairly small department which, as director Christopher Sporborg explains, in leaner times can concentrate its energies more closely on looking after the bank's own venture capital activities.

Until the revival of the rights issue market in 1975 all merchant banks suffered a considerable dawnturn in their corporate finance activity and, even though it has been rather better since then, it has only been in specific areas that any great amount of work has been available. After the rights issues came the revival of the takeover market, but that still left gaps not only in rights issues, but also in new issues and arranging of different forms of equity loans such as debentures and loan stocks.

Prominence

One notable aspect of the revival of takeover activity has been the prominence of Barclays Merchant Bank as an adviser. Until just a few years ago the independent merchant banks had more or less a clear field in such aspects of corporate finance as financial advice on bids, new issues, the raising of medium- to long-term finance and other associated activities. Stockbrokers involved themselves in sponsoring new issues, but in relation to the amount merchant banks handled it was modest.

As for the clearing banks, they virtually ignored the market and one of the major general arguments for them continuing to stay out of the market was that if they moved into merchant banking they would find themselves faced with a conflict of interests as advisers to and the providers of money for customers themselves, whereas merchant banks generally provide advice and arrange for money to be provided from other sources.

However, this has changed completely. National Westminster has County Bank as a merchant banking subsidiary, Barclays has its subsidiary, and Midland Bank has its Midland Montagu offshoot which comprises the Samuel Montagu and the Drayton Corporation merchant banks which merged prior to being taken over by Midland.

Some observers of the market once suggested that with the muscle the clearing banks are able to exert in providing short and medium-tarm finance, together with a whole host of other banking facilities, any move into merchant banking would considerably weaken the position of tha independents. But this has not happened and among the reasons could be the fact that since the clearers made their move there has been such a downturn in activity that it has not been possible for them to make any clearly definable impact.

Another argument, put forward mainly by some of the independents, was (and still is on occasion) that clearing banks could not really provide the type of service offered by more traditional independents because their career and salary structures would not allow them the freedom to recruit the right calibre of person or pay him sufficient money. There may well have been an element of truth in this, but the recruitment in early 1976 of Mr. Charles Ball from Kleinwort Benson — where he was vice-chairman — to head Barclays Merchant Bank goes a long way to knocking the wrong-calibre argument on the head and certainly caused something of a surprise when he made the move.

Mr. Ball over many years made a name for himself as an astute handler of takeover situations, whether he was acting for the bidder or the biddee and it is because of him that Barclays Merchant Bank is so active at present on bids.

Enough

However, even if the clearers' merchant banks are showing muscle, they do not appear to be worrying the Independents particularly and neither (at least on the face of it) are other new providers of capital such as the National Enterprise Board and Equity Capital for Industry. Perhaps trying to be philosophical about the situation, merchant hanks seem to take the view that there are enough kinds of business around to keep everyone reasonably busy.

One of the busy areas, according to Mr. David McDonald, a director of Hill Samuel and head of its corporate finance division (and who takes over as director-general of the City Takeover Panel on April 1), will continue to be takeovers. He feels there has been a "significant numbar of overseas bidders" for U.K. companies attracted by the relatively low prices demanded for U.K. assets and also a good currency situation.

Mr. McDonald says of new issues that he is "a bit foxed" because if three major companies to come to the market last year — Molins, Hambro Life and Thomas Borthwick — should experience reaction varying from fairly good to extremely poor then something "is obviously not quite right." He feels there is currently no real desire among owners of private companies to take the offer for sale course. Elsewhere in corporate finance, he says there is "always a lot of general financial advice" together with reorganising companies' capital by, for example, repaying debenture stocks which no longer meet all the requirements for a company's flexible operation.

Some fairly mixed work is reported by Mr. Christopher Sporborg at Hambros Bank. After moving through "three traumatic years" which saw the hailing out of the secondary hanking sector and then the period of rights issues and a few takeovers on the U.K. front, he now finds, in common with others, that there is overseas interest in U.K. companies. Hambros has handled three such deals and is currently looking at a further half-dozen or so.

Some capital raising has also featured with a Japanese issue — and Hambros is looking at the Japanese market for further business — and a couple of company reorganisations have been handled.

Mr. Sporborg also sees opportunities arising through the Prudential Assurance's sizeable minority holding in Hambros for such activities as raising long-term debt finance for U.S. acquisitions. He feels, however, that to get this sort of corporate financing off the ground British management will have to stick its neck out more than it has been in recent years.

On the whole, however, he feels that it is still a "very difficult time" for corporate finance activities. Certainly the rewards of the late 1960s and early 1970s—when not only was takeover activity and new issues booming but there was also considerable demand for a whole variety of long-term financing—are unlikely to return for a long time.

The pattern seems likely to be a continuation of a comparatively low level of a mixed bag of work with a surge of one particular activity every now and again — Mr. Padovan, for example, feels that if inflation continues at a high rate some companies which have already raised new equity through rights issues will be back again for more, while others which may have held off will feel they have got to take the step.

Nicholas Leslie

Growing scope for leasing

LEASING IS now accepted as a line of finance by most major British companies, which certainly was not the case six years ago. This development has been due to a number of factors, of which the most obvious was the entry of the major clearing banks into the field in a concerted way at the turn of the decade. This brought money volume to leasing, and greater awareness of leasing to industry.

The liquidity squeeze on industrial companies, and for many a severe reduction in mainstream taxable profits during the recession, was another contributing factor. Psychologically, a third factor developed out of these two: whereas previously the British industrialist had been reluctant to instal "other people's" machinery in his role as lessee, this attitude has given way to a more hard-headed approach to the question.

Investment

Estimates of the amount of equipment leased by industry vary between 7 and 10 per cent. of total new U.K. industrial investment. The Equipment Leasing Association (ELA) in a recent survey of its members, who account for about 90 per cent. of U.K. lessors, estimated that assets leased in 1976 had cost about £1.67bn. compared to about £402m. in 1971.

It is as well to point out here that several large and profitable industrial companies have set up financial divisions which include leasing to other industrial companies in their operations. This transfer of resources appears to have been welcomed by the Government. Finally, last resort business is as unwelcome to lessors as it is to traditional bankers.

The flexibility of the leasing industry has improved with its growth. In the motor-car industry, for instance, British Leyland offer 15 or 16 different leasing modules to companies. This sector of leasing is growing rapidly thanks to the confirmation by the Revenue that 100 per cent. depreciation is indeed available to motor vehicle lease or hire companies. Lombard North Central, the premier vehicle lessor, argues that there are cash flow benefits from leasing superior to those available through hire purchase. (Leasing, indeed, is cheaper than hire purchase, but more expensive than operating a bank overdraft).

Lessors have sales agreements with motor manufacturers, in which the manufacturer agrees to buy back the vehicles at the end of the lease term (usually two to three years) at a pre-arranged and reasonable residual value. The high value of second-hand cars, as well as the certainty of the finance, has encouraged the arrangements and proved valuable to the U.K. motor industry during difficult times. Vehicle leasing is generally "small ticket" and best handled by large lessors with suitable computer and staff back-up.

Any industrial equipment likely to have residual value at the end of the lease term is suitable for leasing, as witnessed by a company making control boxes for burglar alarm systems. The boxes are leased to customers on a block discount agreement between the manufacturer and two well-known lessors. Complete factory production lines right through to North Sea oil rigs (Lloyds Leasing recently signed a deal with SEDCO), ships and aeroplanes are included in leasing operations. This so-called "big ticket" business is particularly sought after by lessors with major lines of credit, since administration and overheads are easier to control, and profits more definable.

A major preoccupation of a committee of the ELA is whether an arrangement can be made with the ECGD to underwrite export leases benefiting British manufacturers. In a speech to lessors at the Leaseurope conference in Munich in November, Mr. R. M. Munro, of Williams and Glyn's Leasing Company described cross-border leasing as "the area where there is the highest potential for growth in the industry."

While it is accepted that the export of tax allowances is not desirable, there are several accepted methods of arranging international leases, and leases after all are not necessarily tax-based. At meetings between representatives of the EGCD and the ELA recently, it appears that the ECGD is prepared to look at the subject sympathetically, since it offers another line of export finance. The question is now under study.

As the London market grows, more lessors are talking about the benefits of partnership deals in leasing, in order to share expertise and risk, and increase capacity. Several major deals have so far gone unpublicised. An example of the desire to partner or syndicate deals comes from the Corporate Finance Manager of [illegible] Bank, Mr. Piers [illegible] Finnish, Swedish and [illegible] shareholders beh[illegible] London-based bank [illegible] branch in Singapore [illegible] sees international le[illegible] opportunity to p[illegible] unusual financial pac[illegible] closely matching a [illegible] requirements than [illegible] forward Eurocurren[illegible] But he regards [illegible] paratively small [illegible] lessors willing to e[illegible] a joint operation as [illegible] single restraint on [illegible] national side.

The leasing indus[illegible] satisfied that its [illegible] spreading rapidly [illegible] executives of Britis[illegible] and the normally [illegible] chairman of the [illegible] Stuart Errington sa[illegible] that if he were to ma[illegible] forecast" he would [illegible] prised if the perc[illegible] equipment leased [illegible] purchased in the U.[illegible] over the next five yea[illegible]

He was speaking [illegible] offices in the Mercan[illegible] Company's Industria[illegible] Division which on [illegible] merged with Barcla[illegible] and Finance Comp[illegible] Mercantile manageme[illegible] Barclays Mercantile [illegible] Finance (BMI). The company has a w[illegible] leasing book of near[illegible] making BMI the [illegible] giant of the U.K. [illegible] industry.

As the accompany[illegible] shows, new assets pur[illegible] the members of the [illegible] year increased by 25[illegible] over the previous yea[illegible] despite a static invest[illegible] formance by indust[illegible] whole. Stuart Erri[illegible] that this underlines [illegible] of leasing to a growin[illegible] of businesses which [illegible] assured cash flow fr[illegible] equipment, coupled [illegible] competitive rentals th[illegible] are able to offer. W[illegible] considered, be rema[illegible] between 60 and 70 pe[illegible] all new capital expen[illegible] paid for out of retai[illegible] ings, then leasing mus[illegible] something like 20 per [illegible] investment financed [illegible] ternal sources.

Robert H[illegible]
Editor, Leasin[illegible]

U.K. LEASED ASSETS
(£m.)

	Cost of assets purchased*	Cost of assets leased†
1972	130	516
1973	288	761
1974	321	1,078
1975	340	1,425
1976	421	1,669

*The original cost before grant of assets purchased fo[illegible] ELA members. †The original cost before grant of lea[illegible] owned by ELA members at the end of each year. [illegible] cluded in each case.

Source: Equipment Leasing A[illegible]

Demand for venture capital

"THE EROSION of proper rewards for entrepreneurs that has taken place in recent years is undoubtedly damaging the economy and I believe that the incentives that are available to both owners and managers in business are lower in the U.K. than anywhere in Europe, if not in the developed world."

This warning was given by Lord Seebohm in his chairman's statement to the most recent annual review of Industrial and Commercial Finance Corporation (ICFC), the U.K.'s largest provider of finance to small companies, apart from the clearing banks.

It is quite amazing that despite the lack of adequate rewards, or even social acceptance, there are still budding entrepreneurs all over the country crying out for money to help finance their own projects. Almost deliberately, the Government has managed to strip away all incentives to accumulate capital. But fortunately it has not yet killed the motivation behind the entrepreneurial efforts. Yet even when the small company owner has overcome all the difficulties and frustrations caused by Government, there is no automatic warm welcome in the private sector.

It has often been said that although the U.K. has an efficient financial system, there is inadequate consideration to providing capital for small companies. Indeed the hanks' most deliberate efforts in this regard have been as shareholders in ICFC, rather than as promoters of their own direct loans to industry.

This has always been true yet it is less true to-day than ever before. After the mammoth money crunch of 1974, banks have become more involved in providing their own money to finance small companies, sometimes at the prodding of Government which itself has become directly involved through the activities of the National Enterprise Board (NEB).

In recent years the clearing banks have shown more of an inclination to giving specific medium-term finance to industry rather than just providing overdraft facilities. At Barclays, for example, almost a quarter of its loans in the corporate sector now rank as medium term, that is, in the three to seven-year category.

In part this trend has resulted from more sophisticated attitudes, as needs for money have changed more towards investing in plant and equipment rather than just in short-term working capital. So the hanks hava matched their lending with more medium-term facilities than before.

Pressure

Of course, the banks have not provided nearly the full needs of small companies, which still tend to stay under financial pressure and be under-capitalised. In general, the banks keep to a fairly low level of risk and do not normally take equity stakes in their client companies, or put their own men on the Board. In some cases the fact that a hank refuses medium-term credit to a small company ranks that company a poor risk. But in other cases the specific needs of the company cannot ba met by the hanks, and in this case the company needs to go to the specialists.

The merchant banks have taken a decreasing role in providing finance to small companies and particularly in the venture capital fields. Charterhouse is a notable exception to this trend. Where merchant banks do provide funds, it is generally for a short period (say, up to five years, although longer terms can be arranged) and once again fairly low risk ventures—where there is an adequate profits record, too—are selected. Even then, these providers normally want equity (which entrepreneurs are reluctant to give) and their own man on the Board.

This leaves the specialists like ICFC and Small Business Capital Fund (SBCF). Evidence that the market for small companies is again expanding after the ruptures of 1974-75 was seen in the recent half yearly results of ICFC, which showed that up to the six months ended September 30, there had been 147 transactions (against 116 in the previous comparable period) involving advances of £11.7m., an increase of a quarter. Behind these figures there was a real expansion in ICFC's portfolios, both equity and loan, in addition to extra facilities to existing customers.

This is quite a different picture from the previous year, when ICFC advanced some £23m., the same figure as the year before. ICFC's rate is still competitive against most of the overdraft rates of the banks and it can normally provide much longer term capital.

ICFC was after all set up to help small and medium-sized companies to grow by providing them with finance for expansion and development, in bundles of between £5,000 to over £1m. Since its formation just after World War II it has provided nearly £500m. to more than 4,000 companies.

SBCF has also noticed a recent hardening in demand for capital. Recently its portfolio has expanded to 18 companies involving just over £5m. and demand is accelerating. Like most providers of capital to small companies, it has had its losses through bankruptcy over the past two years.

Successes

But SBCF has its successes too, and its latest investment is a company called Mycalex, one of the biggest manufacturers of small motors for domestic appliances, with a turnover of around £4m. SBCF put in some £0.3m. five months ago to take a 22.6 per cent. stake in the equity and provide loans. The money is being used to build a new factory as well as for working capital.

What is exceptional about this transaction is the chequered profits record of the company. Profits of £300,000 in 1973 were halved in 1974 and wiped out in 1975. But SCBF felt that the product and management was good enough to back, and "substantial" profits are anticipated this year.

It is difficult to tell how SBCF does in the market, for it has made no attempt to v[illegible] current portfolio. But t[illegible] pany does acknowledg[illegible] there are perhaps three [illegible] companies that help t[illegible] the rest. Once again, thi[illegible] an exceptional situation [illegible] industry.

A year ago, a new c[illegible] was formed with Electra Investments, called D[illegible] ment Capital Investment[illegible] unlike SBCF, this does n[illegible] vide venture capital. Ra[illegible] is a lender to companies [illegible] dividends provide a sec[illegible] high yield to Electra.

If all else fails, th[illegible] always the NEB, which la[illegible] gave money to Twinloc[illegible] Sinclair. The NEB is [illegible] dimension in this fiel[illegible] although it is already [illegible] active, its real worth wi[illegible] be properly assessed for s[illegible] years yet.

Whatever the choices [illegible] by entrepreneurs for [illegible] source of finance, there [illegible] common yardstick. That [illegible] be able to present a p[illegible] case on paper for mone[illegible] small company owner mu[illegible] fully prepared to answer s[illegible] questions like—"What d[illegible] want the money for?" [illegible] surprising how many bus[illegible] men cannot give ade[illegible] answers, backed up by sp[illegible] figures.

It is not enough that [illegible] company owners com[illegible] (rightly) that there is [illegible] adequate consideration at [illegible] minster or in tha City to [illegible] causes. They must be prep[illegible] to show that they unders[illegible] the criteria for proper us[illegible] capital.

Roy Lev[illegible]

When the politicians lose control

L be the joke of the Mrs. Thatcher forces an and then fails to win it. lle the chances of such rful come-uppance are e electorate is volatile for us to live in hopes.

" I mean those who that constitutional is an essential first vards the regeneration British polity. If you that point of view see the urgent need to he system"—then it that the emergence of ier hung Parliament is because it would blige even the most nt supporters of the rules to *think again* form.

-other hand, the out- it most people seem to which is a Conservative y a convincing overall —if there is an elec- uld be far less heady r it would mean that rmers might have to il Mrs. Thatcher's new ent made such a hash uotry's affairs that the ame live once more.

-way, one cannot help oyed up by a sense that re once again in con- it is *events* that will ont reform, not a sud- version to selfless on the part of either tcher or Mr. Callaghan. ke this plain, it is best by setting out what is constitutional reform. t of it is electoral our present system is air (since it has con- the country to three erratic Government by that won the support than three out of ten registered voters in 1974) and, as this week's events show, unworkable. Proportional representation would put that right.

We also need fixed-term Parliaments, so that elections are not called at the convenience of Prime Ministers or simply because one party loses an important vote in the House. And we need an elected Senate, an honest settlement with the Celts giving them self-financed home rule, a Bill of Rights, a Supreme Court, and a written constitution.

It seems likely that *most* of these items depend for their acceptance upon one another: if one or two win through, the other *dominoes will soon* begin to fall. Mrs. Thatcher's failure is that so far she has not shown signs of having the imagination to grasp any of this—she has stonily rejected all talk of reform at a time when many people have come to realise that extreme socialism (or its right-wing opposite) is a greater threat under the present system than it ever could be under a new broadly-agreed constitution.

Never mind; events are more powerful than even the most determined political leaders. Consider what *might* happen this week:

The Government might do a deal with the Liberals. If such a deal is unspoken—an understanding rather than a publicly-declared agreement—then a stirring moment may have passed, and we may have to watch Mr. Callaghan and his Cabinet stagger on for a few more months, until they treat the Liberals with the contempt they would then deserve and ditch them just before an election at a time of Labour's choosing. The same would apply to a backstairs understanding with the Ulster Unionists.

This kind of deal would be the answer to those who say that the existing system is producing just that drive for broad Parliamentary support that reformers acknowledge would be the result of proportional representation. For a hole-in-corner understanding best suits the existing Labour Party, which cannot bear the idea of compromise, or coalition, or the acceptance of any ideas save those it chooses to call its own. With PR such negotiations could be formal, and public, and the voters would eventually have a chance of showing their preference between those in the contracting parties who accepted whatever deal was made, and those who rejected it.

An open deal, publicly announced *later* to-day or to-morrow, would speak much better of the existing system—if Mr. Steel sticks to his guns (and unless he does, he counts for nothing). Even so, reform would be brought nearer. For Mr. Steel has demanded proportional representation in Strasbourg and Edinburgh, and a proper constitution for Scotland. When you get that far, you have put the wedge into the split in the log and begun to raise the hammer that will smash down and break it.

So let us assume that there are no deals, and that the Government loses the vote tomorrow night. After all, a victory, which is at least as likely as defeat, would really be no more than a postponement. The Government will "of course" then resign and call an election. But those who remain unconvinced about constitutional reform should pause here. Mr. Callaghan is deeply enough embedded in the ways of the old constitutional school to accept the convention and go. Yet the Government of which he is a part has broken a great many conventions in the past few years: in Clay Cross, in steamrollering through a faction's programme against the known wishes of the majority, and, during Mr. Wilson's tenure, in the dispersal of purely political patronage.

When one considers some of the possible successors to Mr. Callaghan (or to Mrs. Thatcher), one cannot help feeling that a fixed-term Parliament, settled by a written constitution, would be safer.

Since there is little doubt that this Government will accept the convention and resign if it is defeated on a confidence vote, the next stage for reformers to consider is the election. No one can deny that Mrs. Thatcher starts off as the favourite. But the 7 per cent. lead reported in a poll in yesterday's Daily Express is half the lead the Tories were said to have last autumn, and it is usual for the gap to narrow during a campaign.

What is more, the polls have been poor indicators of the number of seats likely to be won by *the several* parties in general elections in recent years, even though their accuracy on shares of the poll has not been *too bad*. The reason is that until now they have failed to take sufficient account of the various manifestations of the crumbling of our system, particularly the rise of the Liberals and the nationalists, and the concomitant decline in the willingness of people to vote for either of the two major parties.

There is no logical reason why any of this should have changed since 1974. The Labour Government deserves to be thrown out, for reasons that many of its supporters would privately admit, but then the Conservatives under Mrs. Thatcher have not done or said anything that makes them worth electing. They have no serious alternative policies in areas where it matters most, such as in standing up to the overweening power of the trade union barons; in too many other areas their stated policies range from the reactionary to the absurd. This kind of thing can be made clear during campaigns, for voters are not quite the fools that some politicians take them to be.

ENGLAND'S ELECTIONS

		1945	1950	1951	1955	1959	1964	1966	1970	Feb. 1974	Oct. 1974
Conservative	% vote	40.2	43.8	48.8	50.4	49.9	44.1	42.7	48.4	40.2	38.9
	seats	167	253	271	293	315	262	219	292	268	253
Labour	% vote	48.5	46.2	48.8	46.8	43.6	43.5	48.0	43.2	37.6	40.1
	seats	331	251	233	216	193	246	286	216	237	255
Liberal	% vote	9.4	9.4	2.3	2.6	6.3	12.1	9.0	7.9	21.3	20.2
	seats	5	2	2	2	3	3	6	2	9	8
Other	% vote	1.9	0.6	0.1	0.2	0.2	0.3	0.3	0.5	0.8	0.8
	seats	7	0	0	0	0	0	0	1	2	0

I am not ruling out a Thatcher landslide, since our first-past-the-post system is notoriously unpredictable, and a small change in voting habits can produce very large changes in the number of seats won. But what does *seem reasonable* is to challenge the assumption that such a landslide is inevitable.

To win an overall majority in the Commons the Conservatives need at least 318 seats: a convincing majority, of the kind that would set back for a year or two all talk of the growing instability of our system, could hardly be less than, say 12—which means that 330 seats, the number won by Mr. Heath in 1970, would be the minimum requirement.

Write off Ulster, for we are talking about a majority over *all other parties*. Give the Conservatives 10 seats in Wales—two more than the highest number they have won in the principality in any election since 1945. Give them 25 in Scotland—a gain of nine seats and more than they have won in any election since 1959, when they took 31. That makes a generous 35 seats from the Celtic fringes.

All the rest must come from England: 283 if the Tories are to have a majority of one, and at least 295 if they are to have a convincing majority. Now look at the table, which shows voting results in England alone. The Conservatives must do as well as they did relative to Labour in 1959 to win a comfortable majority, and as well as in 1955 of 1970 to win just over a working majority.

That is by no means impossible, but do not forget the Liberals. Their share of the vote in England was under 8 per cent. in all three of those elections. What will it be next time? If it is as high as the 20 per cent.-plus of both elections of 1974, the Tories will once again be snookered, as we all know. But what if it does not fall to its pre-1974 levels but comes to rest somewhere in the low teens? If that is the case, Mrs. Thatcher will have to rely on the irrational vagaries of our voting system to bring her a good majority by sheer luck.

Mrs. Thatcher: stony rejection

Mr. Callaghan: one of the old school

All this presupposes that Labour will lose so heavily in Scotland that they cannot hope to make up enough headway in England for an overall majority of their own. It does not exclude a Labour-Scottish Nationalist coalition (with or without the *Liberals*) after the election if the above arithmetic goes the wrong way for Mrs. Thatcher. That would start the constitutional reform bandwagon rolling at a fair speed from the beginning; in fact the only outcome that could stop it would be the stolid settling down of a new Conservative government based on a comfortable majority.

Even that would not stop reform forever: after all, the next Parliament is highly likely to contain at least two dozen Scottish Nationalists.

Letters to the Editor

support for lerance

: Chairmon,
iel Chamber of
e.

your paper of March published the annual uf Barclays Bank. It the bank's forthright of the threat of eco- ckmail made against it nlral office of the Arab cott in Damascus. The Barclays was that it submit to pressure — scus office was demand- the bank should cease g operations in Israel this would amount to g *intolerance*.

's Bank has shown com- courage in refusing to to this threat, and in the principles of free trading which are an part of the British way Barclays, unlike firms ve given way to the s looking further than Its board will cer- ow that firm and effec- rican legislation against oti is in the pipeline, a great many American in the near future be —or even unable—to ss with British or other rms which surrender to kmail.

gh time, I suggest, that rms which come under ssure should be actively their own Government. not happening; the nt of Trade expresses of boycotts, but issues ns to firms that they ecide whether or not to to blackmail "accord- their own commercial

rmore, the Government to support unethical boycott practices by ating "negative" cer- of origin, which declare s exported from Britain wholly or in part of anufacture. Such "nega- tificates are contrary to iples of fair, free and rading. It is scandalous ab documents of this ould carry an official Foreign Office signature. d by the Government. ort can the British nent follow Barclays' and reject all outside and efforts to interfere commerce and our way

. Goodman,
rael Chamber of
erce,
ok Street, W.1.

uncils in iness

he Head of Research,
r Freedom and
ise.

The proposals by Mr. Balfe, of the Greater Council, for uninhibited al trading organisations 16) are only one example growing interest of local nent in extending its s. But "municipal enter- is restricted for the very ason that management of ional economy would be urably more complicated proliferation.

us weaknesses in the of public expenditure and onomic accountability in vernment fully justify the ions. Mr. Balfe's suggested nes for municipal enter- ould hardly touch the real ns of accountability — the public know what it gets from many local nent services.

t would separate accounts h trading organisation be Correspondence in your columns has shown that the GLC's own direct labour construction department's accounts are so far behind that the figures, when produced, must have little meaning in reflecting its real current costs. The Government's proposed Bill to encourage direct labour departments' expansion (delayed but not yet deceased), it is suggested, should allow these organisations to cover deficits by borrowing from the rate fund. Lack of finance would not curtail inefficient operations without political decisions that many councillors would find inconvenient.

Yet councils — who resist demands that more of their activities should be locally, rather than centrally, financed—wish to extend into estate agencies, building, building societies, insurance, plant hire, laundries, printing, entertainment, as well as numerous manufacturing, retailing and other service activities.

The time has come, not to contemplate expansion, but to question the present level of local government activities. The 1970 Local Authorities (Goods and Services) Act might be reviewed for a start. I gather that some London boroughs find bulk purchasing through the GLC supplies department is often costly and time-consuming. Goods can be obtained more advantageously from local shops.

A review would no doubt show that many local government activities could be usefully curtailed, leaving councils to concentrate on their true business: providing local services that can only be supplied on a communal basis.

Malcolm Hoppe,
PO Box 443, 5, Plough Place, Fetter Lane, E.C.4.

Turks & Caicos Islands

From The Chairman, Prowting Holdings.

Sir,—Having just returned from North Caicos, which is one of the eight inhabited, and closely linked, islands in the above group, I wish to heartily endorse the views expressed by Mr. Lucien Gubbay (March 10).

The islands have an enthusiastic, yet realistic, population of 6,000 in a land mass of 166 square miles which compares with a population of 250,000 in Barbados over the same are. They have suffered badly as a result of both inflation and the fall in the pound (the U.S. dollar is the official local currency) to the point that they now wonder where their future lies. They are a proud people, who firstly had to consider the possibility of going independent with Jamaica, followed by a *similar* decision when the Bahamas achieved independence. They now stand alone with what appears to be a rather aloof, certainly in terms of financial aid, British Government. The islanders give full credit for the efforts being made on their behalf by the Governor, His Excellency Mr. A. C. Watson, CMG, coupled with the support they receive from Barbados, but *they* are finding the purse strings for essential infrastructure work far too tight. The newly elected local Government fully recognises that the future well-being of its people depend on two main possibilities, that is the establishment of a small financial centre (bearing in mind the tax-haved status the islands enjoy) and a considerable expansion of tourism. In this connection it would seem that Grand Turk and South Caicos could usefully spearhead the former while the islands at the western end of the chain, where there is more up-to-date hotel accommodation and more extensive sandy beaches, spearhead the latter. Here are people of the Caribbean who go out of their way to welcome visitors and tourists.

In my opinion the people of the islands are deserving of much more support than they are currently getting from the British people and if it were forthcoming now in the form of a positive development aid programme, they would be fully capable of responding by achieving an early, and possibly unique, independence of their own.

P. B. Prowting,
Bury Street, Ruislip, Middlesex.

Plight of some colonies

From Mr. J. Donovan

Sir,—Mr. Gubbay's letter (March 10) highlights the financial plight of a number of the few remaining small Crown Colonies. The British Virgin Islands recently sent a Government delegation to London to plead for additional financial assistance. They were granted an extension of budgetary aid until 1979 in the princely sum of U.S.$683,000 and an increase in capital aid grant funds of £100,000 giving £2.3m. to fund road improvements, schools, a new hospital, etc., over three years.

In fact since this aid was first approved, due to the falling value of the pound, there has been no significant increase in the U.S. dollar equivalent now available and if an exchange rate comparison is made between *March, 1976*, and *March, 1977*, the U.S. equivalent is about $\frac{1}{2}$m. lower. (The U.S. dollar is the official currency of the BVI.)

At the same time the U.K. Government has firmly blocked all proposals made by the BVI to encourage off-shore financial activities, growth of which, it is forecast, could produce a significant revenue for the islands.

With a population of about 11,000 it is difficult to see how the present tax base can produce any significant increase in revenue, even if the growth in the main industry of tourism is sustained at recent levels.

As Mr. Gubbay writes, it is shameful that these small relics of Empire are not only neglected but also actively discouraged from real attempts to free themselves from the necessity of asking for support from the mother Government.

J. M. Donovan,
P.O. Box 70, Road Town, Tortola, British Virgin Islands.

Chemical farming

From the chairman, Archie Kidd.

Sir,—John Cherrington's somewhat mordant article (March 11) "Machinery sales near saturation"—describing the Paris Agricultural Show — not only fails to mention that there are British firms who themselves design the farm machinery which they manufacture and who were exhibiting at the *Paris* Salon with reasonable and growing success but I also think that his sombre forecast of chemical farming taking over from traditional farm machinery is unduly pessimistic.

At best, chemical farming, other than crop spraying, can only replace a certain amount of the cultivations side of farming. Chemicals can do nothing about harvesting, hence short of some revolution which has not so far anywhere been hinted at, forage harvesters of all sorts, hay making machinery, combine harvesters, and in fact every sort of harvester, are bound to continue to be in demand. None of these machines lasts for ever and all the time improvement and innovation takes place so that in my opinion the wide range of harvesting equipment required is bound to remain a reasonably buoyant market in the long term, ignoring of course cyclical variations which arise from a variety of causes but which by the nature of things cannot last more than a year or two at a time.

I think, therefore, it is misleading to talk in terms of saturation—this can only happen if the life of farm machinery suddenly and surprisingly became greatly extended and/or if the world population shrank equally suddenly. Both propositions seem very unlikely to me.

Archie W. Kidd,
Devizes, Wiltshire.

The effects of multinationals

From Mr. R. Ernest

Sir,—I have rarely read such unrelieved rubbish as the letter from Mr. W. C. R. Whalley (March 18) on the effects of multinationals.

I read somewhere a few years ago that the majority of new jobs created in Scotland since the second world war were due to American investment. Is Mr. Whalley arguing that a British firm would have started the manufacture of watches and clocks, etc., in Scotland if no American had come along?

Factories of multinationals here are usually built with British labour and materials; they buy British components; they put incomes in the pockets of British workers which, among other things, provide taxes for the Government to spend on things like welfare services. The firms themselves have to pay local rates and taxes.

Would Mr. Whalley rather see all those people employed by foreign-owned enterprises unemployed rather than allow them to have the means for personal consumption, which he almost seems to imply is in some way economically undesirable?

R. Ernest,
7, Rosecroft Avenue, Hampstead, N.W.3.

The cocoa market

From Mr. K. Dodd.

Sir,—I am writing to comment on the recent irresponsible behaviour of the London Cocoa Terminal Market Association. This thoroughly unnerving exercise will probably serve to show that speculation, however defined, does not affect the price by more than a few percentage points.

If the association had wished to discourage particular individuals from participating in the market, it could have done it gradually and after giving due notice. The fact that it did otherwise leads one to conclude that the subsequent disruption of the market was intentional.

One would have thought that commodity prices are volatile enough these days without the need for exercises in artificial instability. I am sure that I speak for all involved when I say that we want no more of it.

It is the ultimate in self-delusion for the Bank of England to imagine that the world commodity markets are in need of its *paternalism*. If the Bank thinks it has the right to shake down the London markets from time to time, the most likely result is that there will be no London markets at all.

K. N. Dodd,
12, Dert Road, Farnborough, Hants.

To-day's Events

GENERAL

Provisional unemployment figures for March published.

Prime Minister on BBC Nationwide programme, 5.55 p.m.

Mr. John Silkin, Minister of Agriculture, addresses European Assembly (as president of EEC Council of Agriculture Ministers) during debate on Common Agricultural Policy price proposals, Luxembourg.

Public sector unions and students hold mass rally over public spending cuts, Central Hall, Westminster.

EEC Council of Development Ministers meets, Brussels.

Organisation for Economic Co-operation and Development's shipbuilding working party resumes discussion on Japanese share of world shipbuilding market, Paris.

Mr. Alexei Kosygin, Soviet Premier, begins five-day visit to Helsinki.

CBI London and South East Regional Council and Regional Development Committee meet.

Mr. Takeo Fukuda, Japanese Prime Minister, ends two-day talks with President Carter, Washington.

Mr. Alan Williams, Minister of State, Industry, speaks on "Why Invest in Britain?" at London Chamber of Commerce lunch, Chartered Accountants' Hall, EC2.

CBI open meeting at 21, Tothill Street, SW1, 10.30 a.m., on current dialogues between Europe and Middle East and their relevance to businessmen.

PARLIAMENTARY BUSINESS

House of Commons: Debate on defence estimates.

House of Lords: Agricultural Holdings (Notice to Quit) Bill, third reading. Social Security (Miscellaneous Provisions) Bill, report stage. Job Release Bill, second reading. Patents Bill, committee.

Select Committee: Expenditure (Social Services and Employment sub-committee). Subject: Job-creation programme. Witnesses: Merseyside local authorities; voluntary organisations and sponsors of projects (11 a.m., Liverpool).

COMPANY RESULTS

Associated Portland Cement (full year). Home Counties Newspapers (full year). Ladbroke Group (full year). Scottish Northern Investment Trust (full year). Tomatin Distillers (full year). Weir Group (full year).

COMPANY MEETINGS

First National Finance Corporation, Winchester House, EC, 2.30. General Consolidated Investment Trust, 8, Waterloo Place, SW3. Hirst and Mallinson, Huddersfield, 11.30. Imperial Group, Dorchester Hotel, W, 12. Kingside Investment, 44, Bloomsbury Square, WC, 12.15. Lovell (Y. J.), Portman Hotel W, 3. Record Ridgway, Sheffield, 12. SGB Group, Waldorf Hotel, WC.

COMPANY NEWS + COMMENT

Overseas boost gives R-R £9.1m. midway

£3.16m. to £3m., taxable profit of Rolls-Royce Motors Holdings expanded from £5.79m. to £9.13m. for the full year—a further reasonable improvement was expected.

The weakness of sterling in the last nine months of 1976 brought about a substantial rise in the company's overseas business and margins and the growth in profit is almost entirely due to increased overseas profits, say the directors. Direct exports from the U.K. of all products amounted to £39.62m. (£33.08m.) but group turnover in countries outside the U.K. rose from £35.59m. to £50.96m.).

On capital increased by the one-for-five Rights issue last April stated earnings per 25p share are 9.79p (7.16p) basic or 8.79p fully diluted.

Final dividend is 2.2p for a total of 3.85p on the increased capital compared with 3.5p.

	1976 £000	1975 £000
Turnover	104,510	79,669
Trading profit	9,609	6,267
Loan stock interest	478	479
Profit before tax	9,131	5,788
U.K. tax	3,286	2,107
Foreign tax	1,298	575
Net profit	4,547	3,107
Minority interest	11	29
Attributable	4,536	3,077
Interim div.	572	630
Final	1,123	841
Retained	2,841	1,606

Statement Page 29
See Lex

HIGHLIGHTS

Lex takes a look and accounting procedures in the banking sector as well as the Equity Capital For Industry's support for Bond Worth. Completing the column is Rolls-Royce where profits are at the top end of the market estimates thanks to strong growth overseas. Elsewhere, the annual report from Turner and Newall is looking for a growth of some 6 per cent. in volume this year, reflecting a strong trend on the home front, but the picture at Low and Bonar is more clouded for the current year after a strong recovery in 1976. Beatson Clark picked up steam during the year leaving the outcome some two thirds higher, while Courtney Pope is back on a growth tack.

Castlefield Rubber tops £0.3m.

PRE-TAX profit moved ahead £100,000 to £304,000 for Castlefield (Klang) Rubber Estate for the six months to December 31, 1976. Turnover was up from £0.4m. to £0.68m.

The profit, which is based on an estimate for the full year proportioned for six months, included other income totalling £125,100 (£100,000) and was struck after replanting expenditure of £24,000 (£17,000). Tax took £135,000 (£93,000) leaving a net balance of £149,000 (£100,000).

For 1975-76 the profit was £403,145.

Midterm jump for Trianco

Sales of Trianco Group, a wholly-owned subsidiary of Central and Sheerwood, improved from £0.94m. to £1.28m. in the first six months of 1976. Pre-tax profit jumped from £13,199 to £59,900, and there was again no tax charge.

Stated earnings are 0.6p against 0.12p, and there is no interim dividend. The group has paid no dividends since 1971, and the directors state that they have decided to postpone a decision on restoration of dividends on the 6 per cent. Cumulative Participating Preference shares until results for the full year are available. They add that although figures for the second half are not yet finalised, they are confident that progress will be sustained.

First half recovery by Lawtex

A RECOVERY in first half (to December 25, 1976) profits is announced by clothing and umbrella manufacturers Lawtex, with a pre-tax figure of £212,000. This compares with a depressed £13,000 in the previous comparable period.

The 1976 profit is struck after charging depreciation of £39,000 against £42,000 and interest payable of £59,000 against £56,000.

Group sales to third parties increased by 47 per cent. from £3.09m. to £4.55m. Tax is estimated at £56,000 (nil) leaving a *net profit* of £156,000.

The directors state that although inevitably the effects of last summer's drought continued to be felt well into the first quarter, the umbrella division has been working to full capacity, sales have been restored to their former levels and the division has contributed a satisfactory profit. At the same time the planned expansion of the other areas of the group's business has led to a position where nearly 80 per cent. of the total business is independent of the weather.

The directors report that productive capacity in all product areas has been fully utilised, the shortfall having been made good by sub-contracting.

Strong orders books in all divisions reflect a continuing high demand for the group's products and although it would be premature to assume the rate of profit for the first half will be maintained throughout the year, the directors feel the more optimistic view taken during the latter part of 1976 is justified.

Stated earnings per 25p share for the six months are up from 0.7p to 7.8p and the net interim dividend is 1.5p. Last year a single final payment of 2p was paid.

Chambers & Fargus improves

Recovery from a loss before tax of £6,898 to a profit of £21,898 was achieved by seed crushers and edible oil refiners Chambers and Fargus for the half-year to January 1, 1977. However, the directors say that they feel trading conditions will continue to be difficult in the short term with an even higher cost of raw materials. They forecast a small loss for the year ending June 1977.

Sales for the first six months jumped from £2.55m. to £6.03m.

Again there is no interim dividend. The last payment was a final of 0.245p net per 5p share in 1974-75. For 1975-76 there was a loss of £40,500. The first half profit was struck after interest of £67,000 and depreciation of £103,842.

Increase at Jamesons Chocolates

TURNOVER OF Jamesons Chocolates for 1976 improved from £3.64m. to £4.52m., and pre-tax profit increased from £349,784 to £503,645. At half-way, profit was ahead at £255,281 against £157,225.

Earnings are shown to be up from 6.3p to 11p per 10p share, and the dividend is lifted from 2.649p to 2.914p net with a final of 2.065p.

Tax charge for the year was £309,091 against £171,082.

The company is controlled by Messrs. Henry and Bernard Whitefield and trustees of their family settlements.

Over £0.21m. seen by R. Green Props.

First half pre-tax profit of R. Green Properties dropped from £131,526 to £122,461 but the directors anticipate that the year-end (to June 30, 1977) result will be in excess of last year's £210,504.

Stated earnings per 10p share for the six months are lower at 0.32p (0.38p) and the net interim dividend is kept at 0.5p—Mr. and Mrs. Elphick have waived their dividend entitlement. Total for the year 1975-76 was 1.33636p.

Turnover for the half-year was £1,065,403 (£932,272). After tax of £63,680, compared with £83,556, the balance is £58,781 (£67,970).

Winding up orders

Orders for the compulsory winding up of 31 companies were made by Mr. Justice Oliver in the High Court yesterday.

They were: The Danish Patisserie; Ken Palmer (Watford); Adees Frozen Foods; A. Wicks (Builders); IMEC (Marine); Golfers Guide; BDS Properties (Altrincham); Chesridge Properties; Benmore and Tucker; Ryeland Motors; Commercial Services (Croydon); F. Lavin; Davidson Autos (London); David Hart (Haulage); Firstcrest Garage; GH Transport (London); Goalen (Quickline); Industrial Mineral Supplies; Nandric Design; Pallacourt; Spano Roofing Co.; Solid State Electronics; Unit Scaff; Laing Demolition; Caponi Clutch Bags; Grays Cash and Carry; Roath Bakeries; Falcon Construction; Roches Douvres Investments; Redmond-Jackson Developments; Stevens (Marylebone); Hyndburn Fabrics; Jersey-Sport; Jersey Suisse; Jersey Suisse Holdings; Easycare Fabrics; Marby; E. A. Thorne (Interpal); Ayebridges Garage; Flagship International Travel Systems; Tynan Cash and Carry; Kirrane Building Contractors; Northolt Park Motor Company; Keol Managements; Victoria (Dover); CGC Products (Stationers); Ventris Contracts; Burotwood (Cheam); TV Services (P'boro); Osler Engineering; Wisphouse.

Advance by Courtney Pope

AFTER A FORECAST at the year-end last May that the group "could well make a further significant 'advance'" in the current year, pre-tax profit of Courtney Pope (Holdings) for the half-year to November 30, 1976, rose from £150,000 to £355,000. Turnover increased from £4.78m. to £7.13m.

The directors state that higher turnover and profit is budgeted in the second half and indications are that these will once again be at a record level. It is anticipated that the dividend for the year will be the maximum permitted.

Stated earnings for the half-year are up from 2.45p to 3.46p, and the interim dividend is stepped up from 0.75p—adjusted for scrip issue—to 1p net per 20p share. Last year's total equal to 1.838p.

The group has electrical and shopfitting interests.

Mr. L. R. Courtney, the chairman, says that the group is still experiencing some difficulty with orders in the lighting division, due largely to the economic situation.

The group's latest acquisition, Osters and Fleming, is starting to show an improvement in its order and profit/loss situation, he reports.

The overall outstanding order situation and turnover of all other trading companies is at a reasonable level and the group's export activity is now increasing steadily, members are told.

● comment

After a hiccough in 1974-75, Courtney Pope has resumed the steady profits growth of previous years. The business of fitting and lighting stores and offices is still not a booming one but, after a succession of acquisitions, Courtney has the breadth and depth to make the best of it. The lighting division is suffering from a lack of orders from the public sector for schools and hospitals, but the specialist contracting division (consisting almost entirely of the newly-acquired Frederick Sage) is taking good orders for banking hall security screens following the recent bout of fatal raids. A revival in the building industry could one day take profits well above the £½m. which looks likely this year. Meanwhile, with the shares at 45p, the prospective p/e is 6 and the maximum yield 7.5 per cent.

Epicure back in profit

A turnround from a loss of £10,080 to a profit of £40,286 is announced by Epicure Holdings for the half year to end December, 1976, on turnover down from £710,278 to £613,027. There is no tax charge (same).

For the full year 1975-76 the company incurred a loss of £95,061. No dividends have been paid since the 1973-74 interim payment of 0.083p net.

The company is engaged in the hotel and catering industry.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Beatson Clark	2.99	May 3	2.23	4.62	4.2
Courtney Pope ....int.	1	May 16	0.75*	—	1.94*
R. Green Props ....int.	0.5	—	0.5	—	1.34
Lawtex ....int.	1.5	May 2	Nil	—	2.0
Jamesons Chocolates	2.07	—	1.8	2.91	2.65
Low & Bonar	6.5†	May 30	6.12	9.75†	8.87
Miln Masters ....int.	2.5	May 13	2.1	—	6.94
Rights & Issues Inv. Trust	1.94‡	Apr. 25	1.66	1.94	1.66
Rolls-Royce Motors	2.2†	May 10	2.0	3.85†	3.5
Harry Vincent	1.38	Apr. 2	1.25	—	3.04

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ On income shares.

Beatson Clark earns and pays more

AN ADVANCE in taxable profit of £388,000 to £1,162,000 in the second half expanded the full-time figures for glass container manufacturers Beatson Clark and Co. to a record £1,776,000 for the 53 weeks to January 1, 1977. This compares with £1,072,000 for the previous 52 weeks.

Sales were ahead by £2.53m. at £14.55m. and the directors state that both home and export demand for all products continues at an encouragingly high level.

Stated earnings per 25p share were 20p (12.4p) and a net final dividend of 2.991p lifts the total to 4.616p (4.19635p).

The profit included a holding gain of £170,000 (£307,000) and was struck after interest of £180,000 (£301,000) and depreciation of £648,000 (£615,000). Tax took £928,000 (£547,000) leaving a net balance of £848,000 (£525,000).

● comment

Beatson Clark's growth rate accelerated throughout 1976 to leave full-year profits up by two-thirds pre-tax. Improved pre-interest margins—up from 11.4 per cent. to 13.7 per cent.—and sharply reduced interest charges both played an important part in the increase, which was achieved during a period of little volume growth. The former reflected both a general economy drive and two large price increases, of 9.4 per cent. in June and 8 per cent. in November. A further price rise of 8.2 per cent. is scheduled for next month and, with the volume of orders for glass containers still moving slowly ahead, the group should be able to remain on an upward trend. Moreover, with borrowings now down to about 27 per cent. of net worth, against more than twice that at the end of 1976, Beatson is now well placed to finance a more substantial upturn in production when it occurs. The shares at 92p, where the yield is 8 per cent. and the p/e only 4.4, therefore look rather lowly priced at the moment.

Good outlook at Derby Trust

As a result largely of the rise in the U.K. sector, the assets of Derby Trust have further appreciated since December 31, 1976, and Mr. David Montague, chairman, estimates current asset value per 50p capital share at about 275p against the year-end figure of 240.5p.

He told the annual meeting that the outlook for income this year remained good.

Since his statement of about six weeks ago, the U.S. market had made very little progress, largely due to exaggerated fears about the revival of inflationary pressures, he said. No doubt the effects of the cold weather in eastern America and the drought conditions in the west would be felt in prices in the first half of the year, but he anticipates that over the year as a whole inflation would be of the order of 5 per cent. and that company earnings would increase by 10 to 15 per cent.

In the U.K. a much stronger stock market had developed since the year-end and, if the Government fulfilled its declared intention of substantially reducing the tax burden and was able to conclude a reasonable deal with the unions on Phase III, the current strength should be well maintained.

Referring to the excessive discount at which investment trust shares were quoted in relation to their asset values, Mr. Montague said that events in this sector of the market and, in particular, the take-over bids made for several trusts, both emphasised this gap and gave cause for some hope "that we have now seen the worst on this score."

ISSUE NEWS

12¼% exchequer prospectus

The prospectus is published to-day for the issue of £800m. of 12¼ per cent. Exchequer Stock 1992, at £96 per cent. The stock is payable as to £15 per cent. on application, with further calls of £40 per cent. on Monday, April 25, and £41 per cent. on Monday June 13. The interest is payable half-yearly with the first payment of £3.58 per cent. on August 25, 1977. Application lists will open and close on Thursday.

TRAFALGAR HOUSE

Trafalgar House announces that a total of 1,217,476 Ordinary shares have been allotted to the holders of "B" warrants who exercised their subscription rights as at March 5 at 83½p per share. This was the final opportunity to exercise the rights.

Gillett Bros. prospects

THE YEAR AHEAD will bring fresh problems, but at least the constraints imposed upon the U.K. by the orthodoxy of our overseas creditors will be more predictable, and consequently less damaging, than the "ill-conceived and politically inspired" policies of the past year, says Mr. David Whitby, the chairman of Gillett Brothers Discount Company.

Writing in the company's annual report for the year to January 31, 1977, Mr. Whitby says that the policies followed last year brought about the demise of sterling as an international currency, among other results.

After tax and transfer to contingencies, the company made profits of £469,245 in the year under review, compared with £550,461 (as reported on February 24). Dividends were maintained at 13p net per £1 share.

At February 21, Britannic Assurance Company held 20.8 per cent. of the issued equity capital.

There is a contingent liability of £32.87m. (£45.38m.) on commercial bills rediscounted.

Two directors waived their rights to a total of £11,100 of their emoluments during the year, it is stated.

Meeting, 65, Cornhill, E.C., April 13 at 12.30 p.m.

OPTION MARKET

Stockbrokers A. J. Bekhor have become the fifth firm to gain Stock Exchange permission to make a market in options.

Three other firms, Seligman Rayner, Teather and Greenwood and Sternberg have been dealing in options for some time but they were recently joined by Vickers da Costa, whose director, Mr. John Clay, chaired the Traded Options Committee.

Following the report of the Committee, the Stock Exchange decided to put the matter of traded options—as opposed to the current method of dealing in options—on ice.

Low & Bonar reaches £6.58m.

AS FORECAST in the August offer document progress continued for Low and Bonar Group in the second half with pre-tax profit improving by £1.07m. to £3.88m. The fulltime figure for the year to November 30, 1976, was up from £5.36m. to £6.58m. including a share of associates profits of £1.28m. against £0.68m.

Sales for the company, which has interests in packaging, engineering, textiles and flooring were up £20.59m. at £85.25m., with the packaging acquisition accounting for £5.97m.

Stated earnings per 50p share were better at 27.01p (26.51p) or 25.28p (23.62p) after advance corporation tax of £0.16m. (£0.24m.). A net final dividend of 6.5p raises the total to a maximum permitted 9.75p (8.888p) on capital increased by the offer for Bibby and Baron of which the company now controls over 95 per cent.

	1975-76 £000	1974-75 £000
Group sales	85,250	64,660
Share associate sales	6,685	4,607
Share associate profit	1,277	680
Pre-tax profit	6,581	5,364
Taxation	3,676	2,637
Net profit	2,905	2,727
Minorities	319	546
Extraordinary credit	23	93
ACT	160	236
Attributable	2,349	2,038
Preference dividend	16	16
Ordinary dividend	888	724

● comment

An 80 per cent. jump in profits from associates (particularly in South Africa), and increased contributions from engineering exports and textile subsidiaries in Black Africa, have enabled Low and Bonar to get back almost to 1974's peak of £6.7m. pre-tax. The Canadian packaging side is still in the doldrums, however; profits were much the same as the previous year's depressed £1.7m., but Flotex looks on the road to recovery at last. Engineering exports (electrical transformers) now account for 34 per cent. (21 per cent.) of turnover in this division [illegible] still growing, [illegible] except for carpets. This coming year, [illegible] difficult to judge. [illegible] Baron (which made [illegible] last year) has to [illegible] There is a new [illegible] programme in [illegible] Conditions in Can[illegible] soft, and there must [illegible] mark over SA. Still [illegible] sufficient grounds f[illegible] 2p rise in the shar[illegible] At 156p the yield is [illegible] cent. and the p/e [illegible]

BOARD ME[ETINGS]

The following compa[nies have notified] dates of Board meeti[ngs to the Stock] Exchange. Such mee[tings are usually] held for the purpose o[f considering divi]dends. Official indicat[ions are not avail]able whether dividen[ds concerned are] interims or finals and [the sub-divisions] shown below are bas[ed mainly on last] year's timetable.

TO-DA[Y]

Interims—City and I[...] Malayan Tin Dredging, [...] Engineers, Southern M[...]ing, Trafford Park E[...]

Finals—Associated [...] Boddingtons Breweries, [...]ing, Bury and Masco, [...] Trust, Home Counties [...] I. Jacobs, Ladbroke G[...] Liners, Montagu Boston [...] SPR Investments, S[...] Investment Trust, Sha[...] Distillers, Warmoughs.

FUTURE D[ATES]

Interims—
Burns-Anderson
Makin (J. and J.) [...]
Sirdar

Finals—
EBA Group
Black and Edgington
Clifford (Charles) Indu[...]
Cosalt
Hill (H. and J.)
London and Manchester
Matthews (Bernard)
Montagu Boston Invest.
Pye Holdings
Slough Estates
Telephone Rentals
Williams and James (E[...]
Wolstenholme Bronze [...]
‡ Amend[ed]

Pataling Rubber ahe[ad]

TURNOVER of Pataling Rubber Estates improved from £9.18m. to £11.63m. for the year to October 31, 1976 and profit was ahead from £3.03m. to £4.13m. subject to tax of £2.13m., compared with £1.69m.

At halfway profit was up from £1.47m. to £1.72m.

For the year earnings per 10p share are 6.18p (4.12p), and, as already announced, in accordance with the merger proposals, a special dividend of 5.32048p net is payable in lieu of a final and in respect of the period November 1, 1976, to March 31, 1977. The interim dividend was 0.53p.

	1975-76	1974-75
Rubber sales	5,722,977	3,467,935
Palm oil & kernels	5,911,513	5,707,167
Total sales	11,634,490	9,175,102
Trading profit	3,660,314	2,668,823
Rubber	1,178,868	784,473
Palm oil & kernels	2,481,446	1,884,352
Other income	467,803	355,445
Pre-tax profit	4,128,117	3,024,273
Taxation	2,125,001	1,692,431
Net profit	2,003,116	1,331,842
Attrib.	2,150,626	1,477,349
Dividends	171,592	722,926
Transfr. relief	34,713	34,713
To general reserve	2,013,446	641,626

NEW POLICY FROM ECCLESIASTICAL

The Ecclesiastical Insurance Office has launched its new "All Risks" Householders Policy, designed to provide complete insurance for the contents of the home. Cover would be on a reinstatement basis, except for wearing apparel and household linen, and the sum insured under the contract is revalued monthly in line with the Retail Price Index (Durable Household Goods Section) free of charge during the policy year. The sum insured and annual premium would be adjusted at each renewal based on the latest infor[mation avail]able.

The policy provi[des] cover for clothing [...] effects, including los[s] loss arising from the [...] of credit cards, awa[y] anywhere in the U.[K.] world-wide basis for [...] in any one year. [...] personal liability is [...] £250,000 and there [...] compensation for [...]

SHARE STAK[ES]

Norwich Union Ins[urance] now holds 1,000,000 [...] Ordinary shares in [...]pean Investment Co[...]

Greenbank Indust[...] has received notifica[tion that] H. W. Loveday, a [...] acquired 13,000 shar[es...] his beneficial interes[t] (10.2 per cent.) sh[...]

White Child and [...] been advised by Art[...] and Son and Co. th[...] period from January [...] 11, it acquired 361,[...] the company.

Mrs. B. M. Rigley [...] have disposed of 143,[...] W. Evans New Ord[...] and 348,019 Ordinar[y...] resenting 17.54 per [...] capital.

Hill Samuel Group [...] of 450,000 Ordinar[y...] Staffordshire Potteri[es...] its holding to nil.

Mr. M. Barr, a dire[ctor...] Barr and Co., has sol[d...] ary shares in the com[pany].

Hoveringham Grou[p...] that Second Hamme[...] now holds 1,577,500 [...]ing shares in the co[mpany...] per cent.).

Union Corporation [...] sidiary, Uni-Holdings [...] 70,575 shares in Geev[or]

& N doubles .K. spending

D THERE are no major ons in operations during or a further decline in economy, Mr. Patrick he chairman of Turner all, foresees a volume most of the group's and he would expect uent improvement in

profit in 1976 improved cent from £21.81m. to and dividends totalled net per share (as on March 9).

ffith reports that the planned U.K. capital re will double from £20m. in 1977. This effects the group's con- the long-term strength itish economy, he says, that it has been made y the rights issue last d the improved perfor- d cash generation of companies with the of TAC Construction

U.K. company will be rt in the investment e, members are told, incipal effect will be to the expansion of the ces and construction manufacturing interests.

are forecast to be faster growing sections y, Mr. Griffiths says, and p is committed to a pansion to double vinyl acity by 1979. The plas- industrial materials will be spending £6.3m. he adds.

tion of the building rket enters its second th a new factory at in Derbyshire, says Mr. and this £6.4m. project go on stream in 1978. m, a £3m. development authorised for the U.K. e companies.

torial analysis of sales £000s omitted). U.K. (£161,339), Europa and £55,315 (£41,611), Asia ralasia 45,599 (£27,972), 34,014 (£33,785), and South America 32,319

roup's investment in sbestos Corporation has ten down by £4.9m., in he expected closure of two mines in 1978, says man. This amount is in extra-ordinary items. counts include a current t and loss account and heet. Profit before tax ve been more than £20m. £15.12m. under CCA. Manchester, on April m.

-ment

nd Newall's forecast of profits in 1977 is based ected rise of 6 per cent. olume. At home, plastics utomotive side are again he way forward, while rmance of the overseas s will be mixed but on balance. Outside now point to a 1977 p/e 1 5½ at 156p: the current 9½ per cent. Capital is going to double to m. this year—a sixth of which will be funded by new equity and debt in South Africa—but Turner does not expect 1977 to show a deficit on cash flow. A major U.S. acquisition is still very firmly on the cards.

Statement Page 15

Loss down at Miln Masters

THE USUAL first-half loss at seed specialists and plant breeders Miln Masters Group has been cut from £242,170 to £125,926 for the six months to November 30, 1976, on turnover ahead from £1,344,000 to £2,255,233. Once again there is no tax charge.

The directors say they anticipate a satisfactory year and intend to pay the maximum permitted dividend. Last year's total was 5.93696p paid from profits of £572,400.

The current year interim payment is up from 2.1p to 2.5p.

Progress for Harry Vincent

FOR THE 26 weeks to December 25, 1976, confectionery and toffee manufacturers Harry Vincent showed a pre-tax profit of £275,006 against £203,291 on sales up £1.29m. at £3.89m.

The directors state that after a year of relatively stable raw material prices and domestic selling prices, costs have begun to rise sharply and an uplift in selling prices has proved necessary. Sales continue to show an increase and they expect the year's results to reflect progress already made.

A new wholly-owned subsidiary has been formed to acquire properties.

Stated earnings per 25p share were better at 12.48p (8.89p) and the net interim dividend is lifted to 1.375p (1.25p). Last year's total of 3.035p was paid from profit of £380,300.

Midway rise at Town Centre Secs.

Group revenue before interest charges of Town Centre Securities for the six months to December 31, 1976, rose from £673,077 to £703,351. Pre-tax profit improved from £128,316 to £150,300, and tax took £78,000 (£67,000).

The company, a property investment concern, paid a single dividend of 0.66495p net per 25p share in the year 1975-76 from second half pre-tax profits of £352,479.

MINING NEWS

Mary Kathleen asks for more time

BY KENNETH MARSTON, MINING EDITOR

CLOUDS STILL overhang Australia's only uranium-producing mine, the Rio Tinto-Zinc group's Mary Kathleen which made an operating loss last year of $12.4m. (£7.92m.) and which anticipates a further loss in 1977. Its problems stem from production difficulties and a consequent inability to meet uranium contract commitments.

Mary Kathleen now says that it does not expect to be able to fulfil contractual obligations in the period 1977 to 1980. Purchasers are being asked to extend all delivery periods by about three years. The chairman, Mr. Frank Espie, adds that if customers do not agree to the extension request the company could face a "substantial" liability for failure to deliver.

The mine resumed uranium oxide production early last year and by the end of December it had produced 423 tonnes compared with the original estimate of 791 tonnes. To make matters worse no uranium was exported last year owing to a union ban on transport pending the outcome of the Fox environmental inquiry.

It is believed that the mine borrowed 414.81 tonnes of uranium oxide from the U.K. Atomic Energy Authority in order to meet the May-December 1976 deliveries and that this material must be paid back by the end of 1977. The mine's total approved sales contracts, mostly with U.S. power utilities, have been put at 4,743 tonnes.

Meanwhile, Mary Kathleen is seeking higher prices from its customers, the contract prices having been fixed in 1974 when world uranium prices were much lower. The company says that some customers have already agreed to "substantially" higher prices. Mr. Espie comments that a successful outcome to customer discussions is essential if the mine to to continue operations.

Current liabilities rose from $2.89m. to $27.71m. (£17.7m.) in 1976. In order to alleviate the company's critical financial position the two major shareholders, Conzinc Riotinto of Australia (51 per cent.) and the Australian Atomic Energy Commission (41.6 per cent.), have already agreed to provide up to $6m. to meet Mary Kathleen's requirements until the end of May. Rio Tinto-Zinc eased 4p to 223p yesterday.

GLOBE TO OPEN NEW MINE

A new gold mine, known as Joy 3, is expected to be opened soon in Rhodesia by Globe and Phoenix Gold Mining. This is disclosed in the annual statement by the chairman, Mr. Fraser Bird. Operations at the company's original mine are now confined to the clean-up process, while its Turtle operation is expected to make a profit this year.

Shareholders of the company receive to-day details of the scheme of arrangement which will merge Globe and Phoenix with Phoenix Mining and Finance in a new company to be called the Phoenix and Globe Group. The terms of the merger were reported on March 5.

Explaining that cross-holdings between the two companies give each effective control of the other, Mr. Bird tells shareholders that the two companies are too small by themselves to pursue an effective investment policy. A merger should improve the marketability of the shares.

Globe and Phoenix were 22p and Phoenix Mining and Finance 22p yesterday.

Refusing to die

NOW desperately hoping for a continued rise in the gold price —it was $151¼ per ounce yesterday —are South Africa's veteran, low grade, gold producers, Durban Deep and East Rand Proprietary Mines.

The annual statements of Mr. R. S. Lawrence, chairman of both companies, which are now published with the reports are dated March 4 when the gold price was $146.

Of Durban Deep, he says that so long as it is considered to be in the interests of shareholders, the company intends to keep the mine in production in the hope that changed conditions will allow a return to profitability.

After taking into account State assistance net profits last year fell to R548,000 (£366,948) from R2.59m. and no dividend was paid. State loan facilities have been made available for the period from July 1976 to end-December 1977.

ERPM is in a similar situation and Mr. Lawrence warns that if the hoped-for improvement in the gold price does not eventuate and if the additional State loans cease at the end of 1977 the company will be faced with making a further reduction in the scale of operations.

This would lead to increased losses at ERPM and the prospect of a suspension of operations in the relatively short term. In London yesterday Durban Deep were 245p and ERPM 295p; during the gold price boom of 1975 both share prices reached £14.

Thiess writ in $100m. Peabody coal deal

THE ACTION brought by the Australian coal mining and engineering group, Thiess Holdings, to prevent the sale of Peabody Coal's Australian assets to Broken Hill Proprietary hinges on whether a mistake was made in an agreement drawn up 15 years ago between Thiess and Peabody. This is the implication of a writ tendered in a Queensland court by Thiess yesterday.

Peabody Coal is a subsidiary of the Kennecott Copper of the U.S., but is being sold to meet U.S. anti-trust regulations. A sale of the Australian assets for $100m. (£58.2m.) had been agreed with BHP.

Thiess claims that between October and December 1961 Thiess and Peabody representatives met in Tokyo to discuss plans for coal mines in Queensland, our Sydney correspondent reports. At the time it was agreed, according to Thiess, that if either party wished to sell its share of the venture it would first be offered to the other party.

A memorandum of understanding was drawn up to this effect but a mistake was made in the formal agreement between the two companies signed in March 1962, Thiess claims.

In staging its court action, Thiess is asserting what it considers to be its right to first refusal over the Peabody Australian assets or damages of $A45m. (£24.8m.). In another action Kennecott is claiming that none of the provisions for the sale of Peabody's Australian assets to the BHP subsidiary, Dampier Mining, constitute a breach of the 1962 agreement.

TONGKAH TIN'S PROFITS JUMP

Bearing out the hope expressed in the chairman's statement last December, the Malaysian tin-producing Tongkah Harbour reports a net profit of $M1.06m. (£251,168) for the six months to december 31. The net profit for the full year to last June was $M486,213.

Tin concentrate production for the past eight months to end-February amounts to 367 tonnes compared with 279 tonnes in the same period of the previous year. It will be recalled that in the year to last June a labour strike stopped production in the months of January, February and March and the year's total amounted to 404 tonnes. Tongkah Harbour were 63p yesterday.

BIDS AND DEALS

£1.8m. loan facility for Moorgate Mercantile

Moorgate Mercantile Holdings, the hire purchase company whose affairs have for over three years been run under a scheme of arrangement by City accountant Mr. Rupert Nicholson on behalf of creditors, has received a loan facility of £1.8m. from the U.S.-controlled First Fortune Holdings.

As a result, the way has been opened for the scheme of arrangement to be terminated following a settlement with creditors which was approved by shareholders yesterday and which the loan will finance. Mr. Nicholson has accordingly now concluded his receivership.

Creditors of Moorgate Mercantile—which was hit near the ontset of the secondary banking crisis in late 1973 before the launch of the big banks' lifeboat—will be paid in full the debt owing to them along with 50p in the £ of the accrued interest due. A further 20p of the interest due is to be paid in 1980, the remaining 30p being waived under the settlement.

First Fortune Holdings, a British company controlled by the U.S. concern Commercial Credit—itself a subsidiary of Control Data Corporation—has since 1975 had an arrangement by which Moorgate Mercantile introduced business to it. This system has worked well and has led on to the present agreement.

It is understood that Moorgate Mercantile will continue to act in a broker capacity, passing business on to First Fortune, under the partnership arrangement now concluded. In addition, it will now be free to undertake new loan business itself, so far as its resources allow.

First Fortune Holdings, of which Lord George-Brown is a director, is to be given the right to subscribe for ordinary shares in Moorgate Mercantile, at a price based on net asset value, under a complex formula. It is ultimately intended that MM will seek a relisting of its shares which have been suspended from quotation on the Stock Exchange since the troubles which broke out in December, 1973.

First Fortune, which in 1975 took over Slater Walker Finance Corporation from Slater Walker Securities for £4.85m., has itself recently undergone considerable management changes. Mr. Evarett Sara, its chairman, said yesterday: "There was a loss this past year and the previous year, but we're hoping for a profit this year." Details of the past year's result will be announced soon. Of the context in which the losses had occurred, he remarked: "The banks took a beating and I guess we did too."

Mr. Julius Silman, chairman of, and the largest shareholder in, Moorgate Mercantile, said that his company was a small but viable entity which would now be able to build up on the strength of its management and goodwill.

LON. ELECTRICAL & GENERAL

The bid values of the Guinness Peat offer for London Electrical and General Trust were in error in last Saturday's Take-over bids and mergers table. With Guinness Peat shares at 155p, the value per LEGT share was 100.75p, putting a value of £12.7m. on the 12.6m. shares in issue.

LONDON & EURO.—NEW BRIDGE

London and European Group confirms that it is holding discussions with New Bridge Holdings, which could lead to a closer relationship between the two groups.

A further announcement will be made as soon as possible.

BREMAR OFFER CLOSES

Bremar Holdings offer for the whole of the share capital of Bucknall Trust not already owned has closed.

Acceptances have been received in respect of 1.03m. Ordinary shares (including 10,686 Ordinary shares with incomplete documentation) which, together with the 1.21m. shares owned by Bremar, represents 93.33 per cent. of the issued share capital.

Bucknall Trust's listing has been temporarily suspended at the company's request pending publication of reorganisation particulars.

HARRISONS MALAYSIAN

Harrisons Malaysian Estates has received acceptances of its share exchange offer for the whole of the issued share capital of Golden Hope Plantations representing 90.19 per cent. of the share capital. The offer remains open until further notice.

No increase in Britrailpen offer

Shareholders in Standard Trust, one of the investment trusts in the Touche Remnant group, have been told that under no circumstances will the terms of the contested take-over bid for the trust by British Railways Pension Fund (Britrailpen) be increased.

In a document sent out yesterday, Mr. David Jones, chairman of Britrailpen, argues that the defence by the Board of Standard Trust, based on the view that the offer is inadequate and that Standard is an attractive continuing investment, does not bear close examination.

The document reiterates Britrailpen's view that the terms of the offer are "equivalent to the acquisition of a comparable portfolio of securities by BRPF at a discount of approximately 5 per cent.—a figure which we consider to be reasonable."

Mr. Jones also argues that comparing the performance of the assets of the trust with an index is irrelevant and that the true measure of performance is the share price of the trust with an index. On that basis, Britrailpen estimates that £100 invested in Standard over ten years would have produced a sum, including income, of £203.44 against £234.84 in the FT Actuaries All-Share index.

Mr. Jones goes on to say that Standard's view that the discount on the investment trusts would narrow is a matter of conjecture while the Britrailpen offer is fact. He further argues that if the offer—which closes on March 25—lapses the market value of the shares of Standard would fall.

The terms of the offer, based on an estimate of asset value, valued Standard at 138.1p per share on February 28. The offer for the Standard Preference stock is 67p per £1 nominal.

CANADA APPROVES INVESTMENTS

The Canadian Government has approved investment proposals by Imperial Chemicals Industries through its subsidiary De Beaujen Agromart of Ontario, a unit of Canadian Industries, Montreal, to acquire control of L. C. Currah Mills, and Currah Plowboy (Oxford), both of Ontario.

Currah Mills is a feed and seed retailer, and Currah Plowboy is a fertiliser retailer.

A proposal by Neepsend to acquire control of Jessop Steel of Canada, controlled by Athlone Industries Inc., New Jersey, has also been approved. Athlone makes specialty tool steels and tools for the metalworking industry.

WESTMINSTER PRESS BUYS REST OF EVENING MAIL

Westminster Press, a wholly-owned subsidiary of Pearson Longman, is to buy, for a "nominal consideration" the Thomson Organisation interest in the Evening Mail, Slough; previously each company held 50 per cent. of the shares.

The paper has incurred "substantial" trading losses since its launch in 1969, and Westminster Press has prepared a scheme designed to secure the future of the paper and safeguard all but 11 of more than 150 jobs involved.

The Evening Mail will be printed under contract by King and Hutchings, Uxbridge, a Westminster Press division. The newspaper has a current average daily sale of more than 36,000.

Losses over the last eight years totalled more than £1m. Against this background there had been doubts as to whether the newspaper would be continued.

A spokesman for Westminster Press said: "We feel we can make the newspaper successful." But he added: "It will now have to be run on a very economical basis"

BABCOCK/HERBERT MORRIS

The protracted struggle by Babcock and Wilcox to gain control of crane manufacturers Herbert Morris reaches an important stage to-day with the closure at 3.30 p.m. of its 148p per share cash offer. The Board of Babcock, which already holds over 39 per cent. of Morris, is expected to meet and to discuss the latest move, though the result of the offer at the first closing date must be made known by 9.30 a.m. Wednesday morning.

Babcock has a number of alternatives; these include extending the closing date—under the rules of the City Code it can extend until April 30; allowing the bid to lapse and just retain its minority holding; or to increase and extend the offer.

The Herbert Morris share price fell back 5p to 186p yesterday. While still 38p above the value of the bid, the share price is now substantially below the 200p-plus indicated by Mr. Pat Robinson, the Morris chairman, as the level at which an unnamed third party had been interested in making a new offer.

Mr. Tom Carlile, managing director of Babcock, reaffirmed yesterday that it had never received an offer for its 39 per cent. shareholding—as was claimed by Herbert Morris in a recent bid defence document—and that if the offer lapsed it was the present intention of Babcock to retain its holding.

A spokesman for the Takeover Panel said yesterday that it was not the present intention to press Herbert Morris to name the third bidder—a prospect which has recently prompted a sharp rise in the Morris share price.

LONDON UNITED DENIES APPROACHES

London United Investments states that no bids or approaches whatsoever have been made to the company over the past two years from any source.

The announcement follows reports that a bid approach had been made by insurance brokers C. E. Heath.

MONEY MARKET

Interest rates firmer

Bank of England Minimum Lending Rate 10½ per cent. (since March 18, 1977)

Short-term fixed period interest rates tended to rise in the London money market yesterday, reflecting uncertainty about the political situation ahead of the vote in the House of Commons to-morrow on a motion of no confidence in the Government. An unexpectedly large shortage of day-to-day funds in the money market also led to an upward movement in interest rates during the afternoon.

Credit was expected to be in good supply as far as the discount houses were concerned yesterday, and even at the close there appeared little reason why money should not have been adequate for the needs of the market. A large overall shortage resulted however, leading to expectations that the banks will carry forward substantial surplus balances to to-day, and the authorities gave assistance by lending an extremely large amount overnight to four or five discount houses at Bank of England Minimum Lending Rate.

Banks carried forward run-down balances from Friday, there was a very small net market take-up of Treasury bills and a slight increase in the not[e circulation]. On the other hand disbursements exce[eded] payments to the Ex[chequer].

Discount houses [...] per cent. for secure[d] [...] the early part [...] balances were take[n] [...] cent.

In the interbank [market] night loans opened [...] cent., and eased to [...] before lunch. Rates [...] 10¼-10½ per cent. in [...] before easing to 9[...] to rise sharply to 1[...] at the close.

Rates in the tab[le are] nominal in some ca[ses].

Mar. 21 1977	Sterling Certificates of deposits	Interbank	Local Authority deposit*	Local Auth. negotiable bonds	Finance House Deposit	Company deposits	Discount market deposits	Treasury bills ♦
Overnight	—	9¼-13	—	—	—	10⅝	9-10⅛	—
2 days notice	—	—	10¼-10⅝	—	—	—	—	—
†7 days or 7 days notice	—	10⅝-10[illegible]	10⅝-10½	—	10⅝-10¾	—	10-10¼	—
One month	10[illegible]-10[illegible]	10¼-10⅝	10¼-10⅜	10¾-10¼	10⅝-10¾	—	9¾-10	9[illegible]-9[illegible]
Two months	10[illegible]-9[illegible]	10-10⅛	—	10¾-10¼	10¼-10¾	—	9⅝-9[illegible]	9[illegible]-9[illegible]
Three months	9[illegible]-9[illegible]	9⅞-10⅛	10-10⅛	10¾-10⅛	10-10¾	—	9⅜-9½	9⅝-9[illegible]
Six months	9[illegible]-9[illegible]	9⅞-10⅛	10-10¼	10¾-10⅛	10⅛-10½	—	—	—
Nine months	10-9[illegible]	9⅞-10⅛	—	10½-10¼	10⅛-10¾	—	—	—
One year	10-9[illegible]	9[illegible]-10⅛	10¾-11⅛	10¾-10¼	11⅛	—	—	—
Two years	—	—	11⅞-12⅛	—	—	—	—	—

Local authority and finance houses seven days' notice others seven days' fixed. * Longer-term local au[thority mortgage] rates nominally three years 12¾-13 per cent.; four years 13-13¼ per cent.; five years 13-13½ per cent. [...] in table are buying rates for prime paper. Buying rate for four-month bank bills 9[illegible] per cent.; four-m[onth trade bills] 11¼-10¾ per cent.

Approximate selling rate for one-month Treasury bills 9[illegible] per cent.; two-month 9[illegible] per cent.; [...] 9[illegible]-9¼ per cent. Approximate selling rate for one-month bank bills 10-9[illegible] per cent.; two-month 9[illegible] per c[ent.] [...] month 9¾ per cent.; one-month trade bills 11¼-10¾ per cent.; two-month 11¼-10¾ per cent.; and also three-month [...]

Finance House Base Rate (published by the Finance Houses Association) 13 per cent. from March 1, 1977. [...] Deposit Rates for small sums of seven days' notice 6¾ per cent. Clearing Bank Base Rates for lending 10½ per [cent.] [...] bill average tender rates of discount 9.3520 per cent.

Tax concession urged for home improvement

A SUGGESTION that tax concessions should be given to house owners who use qualified VAT-registered tradesmen to do home improvement work where grants are not available was made yesterday by Mr. John Dibben, joint managing director of United Builders Merchants, the largest group of its kind in Europe.

"It would help the building industry to survive and encourage home owners to get their work done by tradesmen," said Mr. Dibben, a member of the national home improvement council. It would also boost Home Improvement Month, which starts on April 1.

"These tax concessions would *only* be available if the money was not being obtained through a mortgage and only if the work was undertaken by a tradesman or company issuing receipts quoting a VAT number," he added.

A limit could be set on the amount spent on home improvements in any financial year. The concession could apply to such work as painting and decorating, installation of new bathroom suites and kitchen furniture, and replacement of windows.

William L[eech] starting s[...] developm[ent]

SEVEN RESIDENT[IAL develop]ments with a total [value] of nearly £6m. are [...] by William Leech, the Tyneside-based [...] They are all in the [...] England.

At Hexham, in [...]land, Leech is [...] homes, designed [...] young people buying the first time. They [...] three-bedroomed te[rrace] [...]ety, selling at abo[ut] [...]

s firmer

UTS AND FISCAL DRAG

Close look at a gift horse

By DOUGLAS McWILLIAMS and GILES KEATING

...NCELLOR of the Ex... expected to announce ...ome tax when he de... Budget speech on ... To the uncritical ...announcement of any ...sufficient grounds for ... It is, however, vital ...er assessment of the ...o to take account of ...atic tax increases ...r as a result of fiscal ...ese increases occur ...ates of income tax, ... other taxes, are ...r higher levels of ...me or wealth so that ...ginal incomes or ...re increased by ...growth or inflation, ...e rate at which tax is ...

...rticle, we look at the ... of the tax burden ...ed as the ratio of tax ... the tax base) in re... and look forward to ...den that would result ...xt financial year if ... no changes in tax ... also calculate the tax ...ould be necessary to ...urden of taxation con... various definitions.

...aph, it is shown how ... of personal taxation ...isen from just under ...t in 1972-73 to 27½ ...n 1977-78 if tax rates ...anged. This increase ...ticularly spectacular, ...year, a period when ...r incomes will have ... very slowly, the in... ...x burden will offset ...e in real pre-tax in... ...t would otherwise ...red.

...er rate

...in the total tax bur... ...een held back by the ... burden of taxes on ...e. One explanation ... been the effects of ... the real yield from ... taxes, such as those ..., tobacco and petrol, ... partially fixed in ...ns.

..., there have also ...umber of special fac... ...xample, the consump... ...etrol, which bears a ... high rate of tax, fell ... the oil crisis, while ... in consumers' expen... ...ised by the present ... have been concen... ... durables, which are ...ect to higher than ...tes of tax.

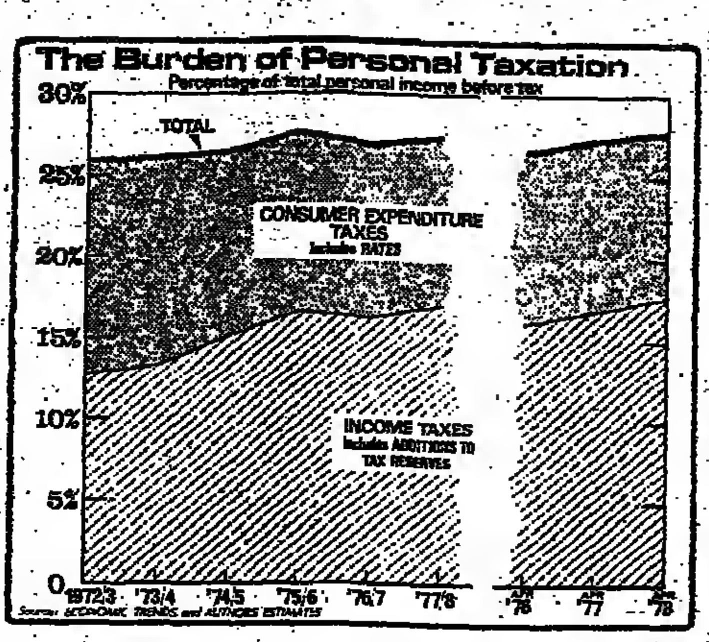
... extent, the negative ... on expenditure taxes has been offset by tax changes, the most recent being the rises in duties on alcohol and tobacco which came into effect on January 1 this year. Despite this, our forecasts still show the burden of taxes on expenditure falling from over 11 per cent. of personal income in 1975-76 to about 10½ per cent. in 1977-78.

By contrast, the rise in the burden of income tax in recent years has been dramatic. In 1972-73 under 13 per cent. of personal income was paid out in tax; by April 1977, on unchanged tax rates, this figure will have risen to about 17 per cent. This implies that the burden of income tax will have risen by about a third in five years. Some of this rise is probably attributable to discretionary changes in tax rates, but most of it has been unlegislated for and has occurred through the automatic mechanism of fiscal drag.

On our calculations, the burden of taxation on income and expenditure, on unchanged policies, would rise from 26½ per cent. of personal incomes in April 1976 to over 27 per cent. in April 1977 and nearly 28 per cent. in April 1978. Between April 1976 and April 1978, on our own forecasts we project that pre-tax incomes will rise only slightly faster than prices. If the burden of personal taxation rises by the 1½ per cent. that we expect on unchanged policies, this will more than use up the rise in real incomes that would otherwise have occurred and lead to further falls in living standards.

On our analysis, although the tax cut necessary to compensate for fiscal drag varies with different definitions, even the largest figure is only about £1bn., while the lowest figure is about £¾bn. This may represent a heterodox view, since a recent newspaper article claimed that it would take "£1.5bn., by general agreement, just to ensure that the revenue bite this year is no worse than it was last."*

The change in tax rates necessary to keep the burden of taxation constant will vary according to the period chosen. Between April 1976 and April 1977 because the Chancellor raised the duties on alcohol and tobacco more or less in line with inflation in his December mini-Budget, the burden of expenditure taxation will have remained almost constant, while the burden of income tax will have risen by about ¾ per cent.



	CHANGES REQUIRED IN: Indirect taxes	Income tax	Total
To make April '77 burden the same as April '78	—	£950m. Cut	£950m. Cut
To make year '77-78 burden the same as year '76-77	£260m. Increase	£1bn. Cut	£740m. Cut
To make April '77 burden the same as April '78	*£560m. Increase*	*£1.7bn. Cut*	*£540m. Cut*

To compensate for changes in the burden of taxation between the beginning of the last financial year and the beginning of the next financial year, the Chancellor will have to cut income tax by just under £1bn.

An alternative comparison, between the ends of the financial years in April 1977 and April 1978, shows that a further rise in expenditure taxes of about £¾bn. a year, and a cut in income tax of just over £1bn. would be necessary in the Budget to keep the tax burden constant from April 1977 to April 1978 if average earnings rise by 10 per cent. To keep the average tax burden constant between the financial years 1976-77 and 1977-78 would require a rise in expenditure taxes on slightly more than £¼bn. and income tax cuts of about £1bn.

Paradoxically, although the Chancellor may well be economically justified in his claim that a high rate of wage inflation reduces the scope for tax cuts. The higher the rate of wage inflation through 1977-78, the larger the tax cut necessary to keep the tax burden constant on the forward looking comparisons because a high rate of inflation increases fiscal drag. Even a rate of wage inflation of 20 per cent. through 1977-78, however, would not be sufficient for the tax cut necessary to compensate for fiscal drag between the ends of the financial years to exceed £1bn.

Obviously the scope for tax cuts in this Budget is not just a function of the extra revenue extracted by fiscal drag. The Chancellor must be heavily influenced by the prospects for the rate of inflation and the general development of the economy, as well as by public expenditure decisions already made and the targets for public borrowing to which he has committed himself. But he has raised expectations of real tax cuts. If taxes are cut by less than £¾-1bn., then the tax burden will have risen on at least one definition. Unless the cuts are larger than this, therefore, tax payers will have been fobbed off with phoney cuts yet again.

* "We'll all be walking wounded." Peter Wilsher, Sunday Times, March 6, 1977.

Douglas McWilliams is Senior Economic Forecaster and Giles Keating is an Economic Assistant with the Confederation of British Industry. The article is based on research carried out by the authors in the CBI Economic Directorate, and by Peter Warn in the Lloyds Bank International Research Department.

East Rand Proprietary Mines Limited

(Incorporated in the Republic of South Africa)

The following is from the statement by the Chairman, Mr. R. S. Lawrence:

The problems which had adversely affected the fortunes of E.R.P.M. in 1975 were again present last year and the company went through a very difficult period. A combination of a severe shortage of black labour, large increases in costs and a falling gold price necessitated a major reorganisation of operations which took the form of a reduction in scale effected over about 3 months commencing in July. The mine, which was scaled to operate at a milling rate of 190 000 tons per month, reduced its output to 145 000 tons per month. Subsequent shortages of labour made the achievement of this reduced target impossible. Both white and black labour complements were reduced and capital expenditure was restricted to the minimum possible without jeopardising the ability of the mine to move back into the abandoned areas should financial and other considerations permit.

FINANCIAL RESULTS

The year produced a working loss of R6 542 000. This represented a swing of nearly R9m from 1975 when a working profit of R2 406 000 was achieved.

After taking to account State Aid of R9 286 000, an increase of some R5m over the figure for the previous year, R17 000 for taxation on non-mining income, the profit before appropriations amounted to R3 258 000 or some 54 per cent less than in 1975.

Capital expenditure, the greater proportion of which was on the completion of projects commenced in previous years and in respect of which firm orders had been placed, amounted to R5 222 000 and an interim dividend of 5 cents per share absorbed R198 000. Total appropriations thus exceeded the sum available by R2 162 000 and the retained surplus was reduced by this amount to R2 040 000.

STATE LOANS

The gold price which had started the year in the $130 to $135 range declined steadily during the first six months and it became evident that even with the reduced scale of operations there would be a significant residual loss after the receipt of the maximum assistance claimable under the Gold Mines Assistance Act. The uncommitted cash resources of the company, which have never been large, were not sufficient to fund these outflows for any length of time and the board was thus faced with the need to decide whether a further drastic cut in the scale of operations would improve the position or whether an application should be made to the State for additional assistance.

Before deciding to approach the State for this additional assistance the board considered whether the interests of members would be better served by suspending operations as soon as possible and realising the company's assets or by securing additional funds in the hope that the gold price would increase and that the mine would once again return to profitable operations. After careful consideration the board decided that every effort should be made to keep the mine operational at as high a level as possible even though this might mean borrowing from the State, thereby creating charges against certain of the company's assets and future profits.

The company's application was sympathetically received and an arrangement, details of which are recorded in the report of the directors, was entered into covering the period from 1st July 1976 to 31st December 1977. The effect of the arrangement is to give the company the right to borrow from the State, in cash, sums equivalent to the residual loss after the receipt of State Assistance incurred in the 18 months commencing on 1st July 1976. Whether and to what extent the company will avail itself of the facilities will depend largely upon the results of operations in 1977 viewed against the company's need for cash. No drawings had been made at the year end.

OPERATIONS

The reduction in the scale of operations involved withdrawal from lower grade areas in the mine and as a consequence the yield during the latter months of the year improved although the average for the year showed a very slight decline.

The underground labour force was below requirements throughout the year. At the end of December, traditionally the lowest point in the black labour supply curve, the mine had no more than 65 per cent. of its needs. The position has improved in the new year. A large proportion of the black labour force engages for relatively short periods spanning the early and middle months of the year and there is inevitably a falling off in strength at the year-end.

The mining industry as a whole is giving much thought to the problem of an even flow of labour throughout the year and the establishment of a pattern which does not result in dramatic fluctuations. A solution has not yet been found but efforts are continuing to change the pattern.

CAPITAL EXPENDITURE

Although the company continued to limit capital expenditure to essential projects, appropriations for this purpose, at R5 222 000, were nevertheless substantial. The main areas of expenditure were underground pumping facilities and water treatment plant on surface R1 986 000, compressed air and electric power supply R1 501 000, underground mechanical equipment R376 000 and rapid yielding props for underground support R172 000. These projects which absorbed just over R4m were commenced in previous years. A restrictive spending policy will be continued until there is a change in the company's circumstances.

THE OUTLOOK

Under conditions in which the company is being sustained by State Aid and may need to draw on the State loan facility, it is difficult to forecast future trends. However, in the belief that gold has an essential long-term role to play and that even after the recent improvement it is still underpriced, your board decided that it would be to the benefit of members to maintain the company in a state which enabled it to take advantage of improvements in gold revenues in future.

If the hoped-for improvement in the gold price does not eventuate and if the additional State loans cease at the end of 1977 the company will again be faced with the prospect of the rapid dissipation of its cash resources. A further reduction in the scale of operations can only lead to increased losses and there will probably be no alternative to a suspension of operations in the relatively short-term.

The 81st annual general meeting of East Rand Proprietary Mines Ltd. will be held in Johannesburg on 21st April, 1977. Copies of this statement and the annual financial statements are obtainable from the office of the secretaries in the United Kingdom at 40 Holborn Viaduct, London EC1P 1AJ or from the U.K. transfer secretaries, Charter Consolidated Ltd., P.O. Box 102, Charter House, Park Street, Ashford, Kent TN24 8EQ.

LEGAL NOTICES

No. 00774 of 1977

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of D. S. BLEACH (ELECTRICAL ENGINEERS & CONTRACTORS) LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 4th day of March 1977 presented to the said Court by THE WHOLESALE FITTINGS COMPANY LIMITED whose registered office is situate at 323-335 Rainham Road South, Dagenham, Essex, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London, WC2A 2LL, on the 4th day of April 1977, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

POLLARDS
11, Soho Square,
London, W1V 5DE.
Ref: JEM.
Tel: 01-439 [illegible]
Solicitors for the Petitioner

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 1st day of April 1977.

No. 00264 of 1977.

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of KNAPMAN AND BRANSCOMBE LIMITED and in the Matter of The Companies Act, 1948

NOTICE IS HEREBY GIVEN that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 17th day of March 1977, presented to the said Court by the above-named KNAPMAN & BRANSCOMBE LIMITED, 19 Crown Point Parade, London, S.E.19, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London, WC2A 2LL on the 25th day of April 1977, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

CHARLES HUNT & CO.,
11 Sun Street,
London, E.C.2.
Ref. MG. Tel: 01-247 [illegible]
Agents for: J. W. FAIRS & CO.,
74A Station Road East,
Oxted, Surrey
Solicitors for the Petitioner

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 22nd day of April 1977.

COMPANY NOTICES

PERUVIAN NATIONAL LOAN
5% EXTERNAL SINKING FUND BONDS 1928
(SECOND SERIES)

S. G. WARBURG & CO. LTD. (incorporating Seligman Brothers), announce that Coupon No. 97 due 1st April, 1977, from bonds of the above-named Loan, which have been over-printed to indicate acceptance of the offer made on behalf of the Republic of Peru as published in "The Times" and "The Financial Times" on 1st October, 1954, may now be lodged for payment.

30 Gresham Street,
London EC2P 2EB.
[illegible] March 1977.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

Volvo denies crisis and reports earnings up 11%

BY WILLIAM DULLFORCE

GOTHENBURG, March 21.

VOLVO'S managing director, Mr. Pehr Gyllenhammar, emphatically denied that the Swedish car and manufacturing group was in a crisis when he presented the final 1976 figures here to-day. These differ little from the preliminary result issued in January and show an 11.6 per cent. growth in earnings to Kr.582m. (£80.2m.) and a 15 per cent. increase in turnover to Kr.15.74bn. (£2.17bn.). Adjusted earnings per share were Kr.15.50 against Kr.15.00.

Speculation about Volvo's situation has centred on the sharp drop in earnings during the past quarter, problems in the launching of the 343 model made in Holland, production cut-backs, short-time working in Sweden and Belgium and last year's sales slump on the U.S. market.

Companies in crisis did not improve profits, maintain a good cash balance and avoid redundancies, as Volvo had done during a year when competition on its markets had been tougher than ever before, Mr. Gyllenhammar said. The Board recommended an unchanged dividend of Kr.6 a share on the increased share capital, making a total dividend payment of Kr.106m., against Kr.94m. for 1975.

Asked what plans the management had to avoid a future crisis, Mr. Gyllenhammar said Volvo would not adopt a low-price policy to compete with the Japanese car makers. It would continue to improve the quality of its products and use resources to raise productivity. It would support its sales agents by offering customers attractive products at a fair price and with good servicing facilities.

Small faults

The group had increased productivity by more than 8 per cent. last year and hoped for similar improvement this year. Price sensitivity was lower for Volvo's quality cars but investment in productivity was needed to prevent the cost gap to the Japanese cars from growing.

Mr. Gyllenhammar acknowledged that because of the group's heavy investment requirements he would have liked to have achieved a considerably higher 1976 profit. Volvo would not then have needed to borrow so much. "I believe our earnings should cover our investment programme. We should borrow only to raise working capital for expansion."

Against earnings of Kr.582m., Volvo invested Kr.710m. last year, a substantial decline from 1975, when just over Kr.1bn. went to capital investment. Ordinary depreciation in 1976 was Kr. 560m., against Kr.487m.

The first of the new 343 model produced by Volvo Car BV in Holland had had many small faults, Mr. Gyllenhammar conceded, but most car industry observers agreed that basic construction was good. The company was recalling early models for re-fitting and was not delivering from stocks until faults had been rectified. Measures to improve production quality were advanced. The Dutch plant would not make a profit in 1977.

Market developments in the U.S. had put heavy pressure on both Volvo and other European car manufacturers but it remained Volvo's most important sales area outside Sweden. The American car trade considered Volvo cars to be the most advanced in the world and Volvo had been the first to meet U.S. pollution control standards. It would continue to invest in its American marketing organisation.

Ferrari chief to focus on racing

By Paul Betts

ROME, March 21.

SIG. ENZO FERRARI, the founder of the Ferrari motor racing "stable" has resigned as president of the Ferrari car group in which the Turin-based Fiat company now holds a 50 per cent. stake.

Sig. Ferrari, a former racing champion, announced his resignation over the week-end in a letter to the Board of Secaf, the Ferrari holding company.

Although the official reason given for the resignation of Sig. Ferrari, who is 80, was his advanced age, it is understood that the so-called "patron di Maranello," named after the Ferrari headquarters in Emilia Romagna, resigned because he wanted to focus on the company's international racing activities at a time when the group's activities are expanding.

Ferrari last year produced some 1,500 cars, of which about 70 per cent. were for export.

Sig. Ferrari, however, said that he intended to remain as an adviser to the company's racing activities. He is quoted as having recently remarked: "I no longer feel like signing commitments for the company tied to the activities of Fiat and its newly acquired Arab interests. They are beyond my capabilities. I only understand engines."

Fiat secured in the late '60s a 50 per cent. stake in Ferrari, which first began as an independent offshoot of the Alfa Romeo group for which Sig. Ferrari raced. At that time, there was talk that the U.S. car concern Ford was interested in acquiring a stake in Ferrari, which was then hit by financial difficulties

Peugeot, Renault moves in Poclain-Case deal

BY DAVID CURRY

PARIS, March 21.

THE FRENCH Government is insisting on modifications in the agreement between the hydraulic excavator manufacturer Poclain and the American public works equipment builder J. I. Case under which the latter will take a 40 per cent. stake in the French concern.

In order to reinforce the weight of French interests in the new structure and guarantee a French blocking shareholding it has arranged for Renault, the State-owned motor company and its private sector competitor Peugeot each to take small participations in Poclain. It is thought that a handful of financial interests, including Credit du Nord (Paribas group) and Credit Lyonnais, a State-owned company, could also participate in Poclain's capital. Both banks are Poclain creditors.

The Government had devoted considerable energy to find a French company willing to step into Poclain to bring fresh capital into the crisis-ridden company. Poclain itself had always preferred to seek a partner in the same basic business as itself and one which would enlarge its marketing horizons — criteria which in practice meant looking to the U.S.

In the event the Government has admitted its failure to find a "French solution" but has, nonetheless, insisted on safeguarding the French character of the company by using the minority stakes of heavyweight French companies as "anchors." Ironically, both Renault and Peugeot had been approached by the Government as possible partners for Poclain and both had unequivocably said no.

It seems likely that their stakes are intended to be purely symbolic or, in the words of one of them "it's simply a visiting card." It is understood that each will have around 5 per cent.

It is not yet clear how the new shareholdings will fare together. Case will have 40 per cent. as originally envisaged, and it seems likely that the new shareholders will subscribe to a slightly larger capital increase than originally envisaged rather than eat into the shareholding of the Bataille family.

If this is the case then the company will be owned 40 per cent. by Case, around 25-28 per cent. by the Bataille family, some 10 per cent. by Renault and Peugeot and, possibly, financial institutions, and the remainder spread around the small shareholder. This would thus lock away in French hands more than a third of the shares safe from the Bourse and constitute a blocking minority.

The original deal with Case was for the American group to pay Frs.195m. for new shares and a further Frs.130m. for certain overseas assets. It is not known whether the government has decided to permit this disposal of Poclain assets to go ahead as envisaged, though it seems that no fundamental change has been required.

The reconstruction of the agreement is a useful illustration of the French Government's attitude to foreign investment and industrial regrouping. It is part of the basic philosophy of any French Government, and particularly of the very interventionist-minded conservative-liberal regime of President Giscard d'Estaing, that the maintenance of French sovereignty requires the creation of French industrial concerns of international weight able both to serve the home market in the interests of the balance of payments and compete overseas.

This restructuring is achieved ideally through the consolidation of French concerns into larger units, but the government has not hesitated to call in overseas capital when this offered necessary technological expertise and wider markets, particularly access to the U.S. market.

Unsolicited offers have generally been received coldly but once an American solution becomes inevitable or desirable (Poclain illustrates the first case, CII-Honeywell Bull the second) the efforts of Paris are to seek positive guarantees of the French character of the undertaking.

Companies involved in regrouping have it made plain to them where their national duties lie, and such recreations can involve the re-distribution of substantial assets (the nuclear engineering industry is a case in point and the paper and board industry looks like being the next to illustrate the same thesis).

Poclain was one of the comparatively rare cases of a French company growing from a small family concern into a world-wide business by its own efforts and French capital. Its need to seek a partner from the U.S. was a difficult pill for the French Government to swallow, but by insisting on local bridesmaids at a marriage about which it is lukewarm it has made sure that the menage will remain French.

DUTCH NEWS

Nationale in Middle East

BY MICHAEL VAN OS

AMSTERDAM, March 21.

NATIONALE-NEDERLANDEN, the insurance group, is to start activities in the Middle East. A start will be made in Saudi Arabia initially, but it is hoped to add the Gulf states at a later stage while other countries are also being eyed.

The executive board said today that Netherlands Insurance Company, through which Nationale conducts its international operations, is to enter Saudi Arabia within the next few months. Because of local regulations, the company will be represented by a newly-formed Saudi Arabian company called Bamogaddam Office of Trading Companies. It will be managed and controlled by Husni Heath and Co., in which Mr. Georges Husni and his partners, who were previously based in Beirut, and the London insurance brokers and underwriting agent C. E. Heath and Co. have interests. It is understood that Nationale may also take a share in that company.

Nationale's executive board member, Mr. Johan Rueb, said that other Middle East activities would also be conducted through Husny Heath. In Saudi Arabia, he added that any business not wanted by Netherlands Insurance could be diverted to the London market via Heath and Co.

The first office will be opened in Riyadh on July 1, 1977, and it is planned to open further offices in Saudi Arabia where activities by Dutch companies, mainly in the port, dredging and housing construction sector are growing at a very rapid pace.

* * *

WESTLAND-UTRECHT, the mortgage bank, is to float Fls.33m. of subordinated bonds to reinforce capital ratios. At the same time, it was announced here that the 1976 net profits have risen substantially while the dividend will be raised.

The company said that net profits have risen by at least 37 per cent. to Fls.30.5m. from Fls.22m. in 1975. The operating result has gone up at least 37 per cent. to Fls.73m. (Fls.53m.) after Fls.7m. had been added to the special reserves. The deduction for taxes rises to Fls.34m. (Fls.22m.).

Westland-Utrecht added that on the basis of the proposed profit distribution, Fls.19.7m. will be added to the "open" reserves which will rise to Fls.160.7m. as a result. The board has proposed a dividend of Fls.16 per Fls.50 share, which compared with Fls.12.80 the year before.

The statement said that at the beginning of April, the prospectus will be published for the Fls.33m. subordinated bond loan, whereby every bond will be provided with two warrants. Both warrants will entitle the purchaser to two (certificates of) shares in Westland-Utrecht. The first short-term warrant is for four months for the purchase of two (certificates of) shares below the bourse price at the time of the issue, while the second gives a ten year entitlement to the purchase of two (certificates of) shares above the named bourse price. For the bonds, as well as for the two types of warrants, stock exchange listing will be sought.

EUROBONDS

$Can. success for ESSC

By Mary Campbell

THE EUROPEAN Coal and Steel Community's $C25m. issue was priced yesterday at 100½ on a 9 per cent. coupon as indicated. Apart from the quality of the name, dealers said that the success of the issue could be probably be attributed to sufficient Eurobond investors feeling that the Canadian dollar is at the least unlikely to fall from current levels.

The U.S.$ dollar sector of the market continued quietly firm yesterday with prices more or less unchanged from Friday's levels. Though they have not yet seen allocation dealers expect the Inchcape issue to open at a premium. The Inchcape share price moved to 383p yesterday from Friday's 390p quotation.

Announcement of a DM200m. five-year issue is expected within the next couple of days with Deutsche Bank as lead manager. A coupon of 6¾ per cent. is likely.

Austria's DM150m. issue has been priced at par on a coupon of 6¾ per cent., as indicated.

BONDTRADE INDEX

	Yesterday	Friday
Medium term	102.63	102.59
Long term	90.07	95.05
Convertible	109.73	109.08

SELECTED EURODOLLAR BOND PRICES MID-DAY INDICATIONS

STRAIGHTS	Bid	Offer
Alcan 9½pc 1988	105½	106
Australia 8½pc 1991	101½	102
Bowater 9½pc 1986	103½	104½
Can. N. Rly. 8½pc 1986	101	101½
Credit National 8¾pc 1986	99½	99¾
Denmark 8½pc 1984	101½	102
ECS 9½pc 1986	104	104½
EIB 9½pc 1988	100¾	101¼
ERAP 9½pc 1985	103½	104½
Esso 8pc 1986 Nov.	102½	103½
Eurofima 8½pc 1983	103	103½
Granges 9½pc 1983	102	102½
Gt. Lakes Paper 8½pc 1984	100½	101
Hamersley 9½pc 1992	103½	103¾
ICI 8½pc 1987	97¾	98½
ISE Canada 9½pc 1986	105	105½
Macmillan Bloedel 9pc '92	101½	102
Massey Ferguson 9½pc 1991	104½	105
Michelin 9½pc 1986	102½	103½
Midland Int. Fin. 8½pc 1986	101	101½
MODO 8pc 1986	100	100½
Ntl. Westminster 9pc 1986	102	102½
Newfoundland 9pc 1989	103½	104
Norges Kom. Bk. 8½pc 1991	99½	100
Norpipe 8½pc 1989	99½	100
Norsk Hydro 9pc 1991	103½	104½
Norsk Hydro 8½pc 1992	98½	99
Oslo 9pc 1988	101¾	102½
Ports Autonomes 9pc 1991	100	100½
Prov. Quebec 9pc 1984	101	101½
Quebec Hydro 8½pc 1986	99¾	100½
Prov. Saskatch. 8½pc 1986	102	102½
Skand. Enskilda 9pc 1991	101½	102
SKF 8pc 1987	99	99½
Volvo 9½pc 1985	104½	105½
Volvo 8pc 1987 March	97½	98½
NOTES		
Australia 8½pc 1983	103½	102½
Australia 8½pc 1986	102	102½
Dow Chemical 8pc 1986	103½	104½
ECS 7½pc 1982	97½	98
EEC 8½pc 1982	101½	102½
Enso Gutzeit 8½pc 1984	97¾	98½
Gotaverken 8pc 1982	100¾	101½
Hitachi Shipblds. 7½pc 1984	97½	98½
Kockums 8pc 1983	99½	100¾
Michelin 8½pc 1983	102	102½
Montreal Urban 8½pc 1981	101½	102½
Ntl. Coal Board 8½pc 1981	100¾	101½
New Bruns. Prov. 8½pc '83	103½	104½
New Zealand 8½pc 1986	101	101½
Nippon Fudosan 8pc 1981	100½	101
S. of Scot. Elec. 8½pc 1981	100	100½
Swedish State Co. 7½pc '82	99½	100
Venezuela 8pc 1984	98	98½
FLOATING RATE NOTES		
BNP 5½pc min. 1983	98½	99½
Bk. Tokyo H. 6½pc min.'81	101½	101¾
IBJ 6pc min 1982	99½	100
Lloyds 7½pc min. 1983	101½	102
LTCB Japan 6½pc min. '81	100½	100¾
Midland 7½pc min. 1983	102½	102¾
Wms. Glyns 6½pc min. '84	100½	100¾
D-MARK BONDS		
Austria 7pc 1987	101	101½
Beecham 8pc 1983	103½	104½
Bergen 7pc 1989	99½	100½
BFCE 7pc 1987	98¾	99½
EIB 8½pc 1984	100	101
ICI 7½pc 1986	101	101½
New Zealand 7½pc 1986	102½	103½
Norway 8½pc 1982	101½	102½
Shell 6½pc 1989	100½	101½
World Bank 7pc 1987	98½	99½
Source: White Weld Securities.		
CONVERTIBLES		
American Express 4½pc '87	85	87
Ashland 5pc 1988	95	97
Beatrice Foods 4½pc 1992	98½	100½
Beatrice Foods 4½pc 1992	109	111
Borden 5pc 1992	105½	107½
Broadway Hale 4½pc 1987	78	80
Canon Camera 7pc 1989	205	
Carnation 4pc 1987	94½	96½
Chevron 5pc 1988	131½	133½
Dart 4½pc 1987	92½	94½
Eastman Kodak 4½pc 1988	97	99
Economic Labs. 4½pc 1987	90	92
Fed. Dept. Stores 4½pc '85	105½	107½
Firestone 5pc 1988	87½	89½
Ford 5pc 1986	102½	104½
Ford 5pc 1988	92	94
General Electric 4½pc 1987	85	87
Gillette 4½pc 1987	79	81
Gould 5pc 1987	124	126
Gulf and Western 5pc 1988	88	90
Harris 5pc 1992	112½	114½
Honeywell 6pc 1986	90½	92½
ITT 4½pc 1987	[illegible]	[illegible]
Komatsu 7½pc 1990	[illegible]	[illegible]
J. Ray McDermott 4¾pc '87	[illegible]	[illegible]
Mitsubishi 7½pc 1991	[illegible]	[illegible]
Mitsui 7½pc 1990	[illegible]	[illegible]
J. P. Morgan 4½pc 1987	[illegible]	[illegible]

	Bid	Offer
Nabisco 5½pc 1988	99½	100½
Owens Illinois 4½pc 1987	126	128
J. C. Penney 4½pc 1987	81	83
Pioneer 6½pc 1989	271	
Raymond 8½pc 1993	127	123
Revlon 4½pc 1987	106½	108½
Reynolds Metals 5pc 1988	86½	95½
Sperry Rand 4½pc 1987	92	94
Squibb 4½pc 1987	80½	82½
Texaco 4½pc 1988	80	82
Toshiba 6½pc 1992	107½	109
Union Carbide 4½pc 1982	107½	108½
Warner Lambert 4½pc 1987	85	87
Warner Lambert 4½pc 1988	79½	81½
Xerox 5pc 1988	79½	81½

Source: Kidder, Peabody Securities.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

Mexico passes critical foreign financing stage

BY MARY CAMPBELL

passed a critical stage foreign financing pro- yesterday with the conclusion of the first syndicated Euromarket a state agency since the on last autumn and the by the new *government*. of the loan, originally at $300m., was raised after an open market on which is understood brought in over $150m. loan had been pre- ten at the $300m. level 3 strong management aded by Chase Manhat- Citicorp International group and Westdeutsche Landesbank Girozentrale. The borrower was Petroleos Mexicanos (Pemex).

Speaking at the loan signing yesterday, S. Jorge Diaz Serrano, Director General of Pemex, again said that 60bn. barrels was an underestimate of Mexico's probable oil and gas reserves. At the last count, proven reserves of oil and natural gas amounted to 6.3bn. barrels. A report by the Mexican Institute of Petroleum in conjunction with de Golyer and McNaughton, the Dallas-based petroleum consultants, is expected to confirm proven reserves of 11bn. barrels when it is published at the end of next month.

Mexico is expected to seek long-term finance on foreign capital markets of $2½bn. or $3bn. this year, S. Gilberto Excobedo, *Director of Credit* at the Ministry of Finance, said at the signing. Pemex alone is expected to *raise* $1bn. (including the $350m. loan signed yesterday).

S. Excobedo also noted that the refinancing agreement for Fundidora de Monterrey, the private sector steel company which suspended payments on foreign loans after the devaluation last year, was signed last Friday. In addition to the refinancing agreement which involves a deferral of amortisation, he confirmed that international banks are putting together a further $150m. Eurocurrency credit for Fundidora via the Mexican Government.

Fundidora, however, he said is a *special* case. No other private sector companies will receive government support in the same way.

The latest economic data to become available on Mexico shows the external debt of the public sector reached $15.9bn. at the end of last year, up *from* $11.6bn. at the end of 1975. As of last September the cost of servicing the public sector part of Mexico's external debt in 1977 stood at $3.3bn. Of this $1.8bn. was interest payments and $1.4bn. repayments of capital.

SWEDISH COMPANIES

Boliden dividend

BY WILLIAM DULLFORCE STOCKHOLM, March 21.

, the Swedish metals micals concern, is to cut end for the second year following a further pre- in 1976. The Board his Kr.7 a share against 1975 and Kr.11 in 1974. mings were Kr.366m. It king approval from the general meeting for a ble loan issue to a maxi- Kr.125m.

1976 the preliminary how a loss of Kr.19.8m. after a 4 per cent. rise to Kr.2.47bn. (£340m.). pares with the loss of recorded in 1975, when a dividend was limited by a Kr.163m. transfer inventory reserve.

provement in Boliden's tal markets at the be- f 1976 gave backing for lad Kr.100m. improve- operating *income*. After quarter, however, the n the market for ores als and for the Sala 's machinery prompted agement to reduce its

nal improvement was half the target and the ncrease was limited to leaving Boliden in the the second year. The Kr.19.8m. includes an nary income of Kr.8m. loss per share is put at nst Kr.6 in the previous

The concern maintained unchanged investment expenditure of *Kr.327m.*, which led to considerable increase in borrowings, including Swedish loans of *Kr.120m.* and a $40m. multicurrency credit, of which $20m. was taken up. Net financial costs rose from Kr.43m. to Kr.72m. and ordinary depreciation from Kr.126m. to Kr.139m. Liquid assets at the end of 1976 were Kr.159m. compared with Kr.211m. a year earlier.

After unspecified appropriations improving the pre-tax total by Kr.61m. and a decline of Kr.47m. in taxes the consolidated account shows a net profit of Kr.27m. against Kr.39m. The parent company records a book profit of Kr.25m. The proposed Kr.7 dividend will take Kr.24.3m.

The forecast for 1977 is cautious. The metal market should recover but the improvement for the concern as a whole is expected to be modest. A cost-cutting programme should reinforce earnings but return on capital will not reach an acceptable level, it is stated.

To improve the operating profit after depreciation from Kr.44m. to Kr.140m. and give *adjusted net earnings of Kr.7* a share Boliden estimates it will need average prices (at current exchange rates) of £910 a ton for copper, £390 a ton for lead, $795 a ton for zinc and 280 pence a troy ounce for silver.

DOMESTIC BONDS

French market surprised

BY PAULINE CLARK

FRENCH bond market was surprise yesterday by higher than expected fered on its two major es this week. Both con- good quality names, Cie la raising Frs.550m. over at 11.30 per cent. while Lyonnaise de Depots et it Industriel, a private ank, *is seeking Frs.100m.* 1.30 per cent. but over 12

ssues have been priced th Cie Bancaire yielding cent. to maturity which r higher than terms y similar quality names and about 0.20 percent- s higher than the market ed. The longer issue has ge life of nine years and r seven years while both ed in Frs.1,000 units. By comparison, last week's ional development con- orrowings were offered ld of only 10.90 per cent. rity while Charbonnages ce offered 10.78 per cent. gh admittedly with a arantee.

the current relatively erformance of the Frenc h evidence of a declin- ation rate at present. ems to be no immediate for the raising of the n this week's bonds. The has shown particularly e recent results of the al elections have already rgely discounted.

be new issue market is thought now to be taking increasingly more account of the Government's long-term policy and also longer term economic prospects. The Franc is still thought vulnerable to political developments while the outlook for the inflation rate remains uncertain in view of the raised public borrowing requirements *projected for this year.*

Higher interest rates are anticipated later this year both as a result of domestic pressure resulting from faster economic activity and from external influences such as the American and German interest rate trends.

* * *

ON THE DUTCH GUILDER bond market, the *Fls.75m.* 1983-1992 issue by Norsk Hydro was reported yesterday to have been well over-subscribed. The issue carried an 8.75 per cent. coupon and was priced at par. Meanwhile an 8½ per cent. five-year private placement by Nederlandsche Scheepvaartunie to raise Fls.50m. was said by syndicate manager, Amsterdam-Rotterdam Bank, to have been fully subscribed.

* * *

IN FRANKFURT, bond market sources reported that the DM200m. 7 per cent. issue for City of Berlin had been well taken up as indicated by its recent trading price reported to *have been* at around *100½* per cent. compared with an issue price of 99¾ per cent. The *issue was for* eight years.

FINNISH COMPANIES

Foreign interests help

BY LANCE KEYWORTH HELSINKI, March 21.

KYMMENE'S consolidated s in fiscal 1976 increased per cent. to FM1.65bn. at December 1976 ex- rate). This good result, a company which ily achieves 80 per cent. rnover from timber, pulp per sales, is explained by t that its overseas *subsi-* worked at almost full y last year.

parent company's turn- creased by 12 per cent., ng the depressed state of arket for forest industry ts (inflation in Finland about 14 per cent.). ene's metal and engineer- ision did well, but by the f the year was suffering *a lack of new orders and* ave to cut production in

chemical division—bleach- agents and plastics—in- d sales by 17 per cent. to m. Kymmene has a 50 per interest in OY Finnish des AB, Finland.

Paper Limited, Great , in which Kymmene owns cent. of the share stock, sed its sales by 36 per cent. 29.5m. Nordland Papier , West Germany, where a paper machine is due to go production this year, in- d turnover by 33 per cent. £176.6m., after the paper t strengthened at the end year.

ocean Pulp and Paper Com- Limited, Canada, jointly by Kymmene and another Finnish company, has at last been turned round after a long period of technical and other problems. It set a new production record of 253,000 tons and its sales increased by 33 per cent. to $C61m.

* * *

OY ROSENLEW AB will hold its dividend for fiscal 1976 at 8 per cent. in spite of the fact that new earnings decreased from *FMks.4.26m. in 1975 to* FMks.1.52m. (£237,000 at the December 1976 exchange rate) last year.

Turnover increased by 17 per cent. to FMks.634m. (£99m.) but the company regards the *result* for the year as bad. Its chemical pulp division recorded the worst year in its history.

* * *

FINLAND'S *State-owned power* utility, Imatran Voima Oy, is to be given an injection of F.Mks.200m. (*£31m.* at the current exchange rate) in the form of an increase in share *capital*. This will be written into the first supplementary budget for 1977.

The tight money situation is causing Ivo financing difficulties and it reported a deficit of F.Mks.455m. at the end of February this year. Its investment projects include the two Soviet 440 Mw. nuclear power stations, the first of which is to be formally opened to-morrow by Mr. Kosygin, Soviet Premier. It is costed at about F.Mks.1bn. (£155m.) including fuel.

MATSUSHITA

After the 'revolution'

BY DOUGLAS RAMSEY IN TOKYO

MR. TOSHIHIKO YAMASHITA talks with none of the assuredness of conviction of his predecessor as president of Matsushita Electric Industrial, Japan's largest maker of consumer electric and electronic products with consolidated sales last year of more than $6bn.

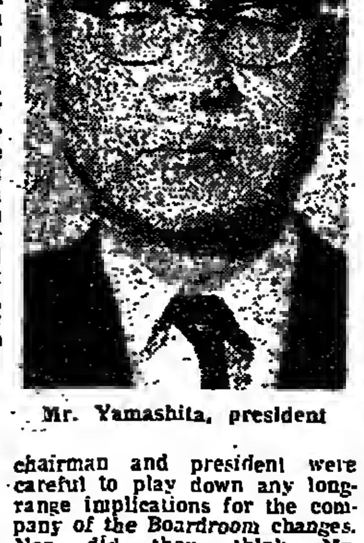
Asked whether he plans any major changes in the way Matsushita operates, Mr. Yamashita answers with a simple "No." So why the brouhaha surrounding his elevation on *February 18* to a prize job in Japanese industry?

Put simply, the choice of Mr. Yamashita *was revolutionary* by the staid standards of Japanese Boardroom politics. At 57, the new president ranked 25th on a Board of 26 members. As a director, Mr. Yamashita was in charge of the air-conditioner department he had managed since 1965: the department accounts for 10 per cent. of sales, but in any *traditional sense* would not be a stepping-stone to the top job.

Yet, Mr. Yamashita was promoted over the heads of eight other directors, four managing directors, five senior managing directors and four executive vice-presidents.

"We wanted someone young *to guide the company* for the next ten years," said Mr. Masaharu Matsushita, 64, who moves from the presidency to be chairman, replacing Mr. Takahashi, long-time friend and colleague of Matsushita founder and the new chairman's father-in-law, Mr. Konosuke Matsushita, who at 82 is still a guiding force behind the company's management.

In a recent interview the new



Mr. Yamashita, president

Mr. Matsushita, chairman

chairman and president were careful to play down any long-range implications for the company *of the Boardroom* changes. Nor did they think Mr. Yamashita's rapid rise to the top of the Matsushita hierarchy would set a precedent for Japanese industry like some of the Japanese Press has been suggesting. To that extent, the appointment is not revolutionary.

To observers though, the change looks nonetheless important. First, some industry sources may be right to think that Mr. Yamashita will be something of a front-man for the senior Mr. Matsushita who is *reportedly* not too happy with Matsushita's taking second place to Sony in developing and marketing a home videotape recorder and is itching to make a comeback.

How the senior Mr. Matsushita hopes to remedy the situation is not clear, but Mr. Yamashita professes to have no strong prejudices of his own about the way to run the company.

Certainly, Mr. Yamashita has almost no overseas experience although about half the company's sales are exports. The new president has never been to the U.S. or Britain, rare for even Japan's oldest business guard.

Asked whether Mr. Yama*shita's* appointment signals a decision to put more of Matsushita's eggs in the domestic Japanese basket, the younger Matsushita insisted that no such strategy existed.

Indeed, the company has promoted its leading "international man," Mr. Akira Harada, from being just a director and head of Matsushita in America to senior managing director for overseas operations.

He will commute between Tokyo and New Jersey to fill both jobs.

In fact, Mr. Harada at 58 is younger than Mr. Yamashita and was ranked higher on the Board of directors until the reshuffle. So, if Matsushita was looking to lay stress on exports in the 1980s Mr. Harada would have certainly got the job.

All the more so, since the outgoing chairman, Mr. Takahashi, fitted in as mastermind of the company's international operations, so now Mr. Matsushita and Mr. Yamashita will have to share the portfolio between them—presumably relying on Mr. Harada to plug the gaps in their own knowledge of overseas markets

Capital increase at Sandoz

By John Wicks

ZURICH, March 21.

THE SWISS chemical company, Sandoz AG. of Basle, proposes payment for 1976 of an unchanged gross dividend of Sw.Frs.65 per share and entitled participation certificate from a slightly lower net profit of Sw.Fr.71.5m. (Sw.Fr.72m.). Group turnover rose 4.9 per cent. over the year to Sw.Fr.4.11bn., thus exceeding the 1974 peak of Sw.Fr.4bn. Group net profits, at Sw.Fr.144m., were only marginally below the 1975 figure of Sw.Fr.146m. despite the near-doubling of valuation losses resulting from exchange-rate alterations.

The board *is also* to recommend the splitting of existing Sw.Fr.250 nominal-value participation certificates into five new certificates of Sw.Fr.50 each. At the same time, shareholders will be asked to approve the raising of share capital from Sw.Fr.222.85m. to Sw.Fr.245.14m. and the issue of 46.450 new participation certificates of Sw.Fr.50 nominal value.

Existing stockholders will be offered the new units at a rate of one bearer or registered share per share held of the same category and one new participation certificate per existing certificate of Sw.Fr.250 nominal value held.

In agreement with Credit Suisse White Weld Ltd., Sandoz and its *affiliate* Sandoz Overseas Ltd. have decided to start the conversion of the bearer deposit units issued last December into convertible bonds of Sandoz Overseas and participation certificates of the parent company on April 22.

WALL STREET + OVERSEAS MARKETS + FOREIGN EXCHANGES

Downtrend extended in early trading

BY OUR WALL STREET CORRESPONDENT

NEW YORK, March 21.

THE RECENT downtrend was extended on Wall Street to-day when selling was due in part to continued inflation fears following Friday's announcement of a

Closing prices and market reports were not available for this edition.

one per cent. increase in the February Consumer Price Index.

By 1 p.m. the Dow Jones Industrial Average was down a further 3.24 to 955.78 and the NYSE All Common Index dipped another 15 cents to $55.21, while declining issues outpaced gains by a three-to-two majority. Trading volume expanded 170,000

FRIDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
Coeis Commun.	351,000	12.	−
Sony	411,700	10½	+
Westinghouse Elec.	363,600	17½	−
Brit. Petroleum	345,900	14½	−
Eastman Kodak	303,500	70½	− 2
Occidental Petrolm.	270,100	26½	+
Idaho Powr.	249,000	26½	−
Asarco	240,500	22	+
Xerox	235,500	49	−
Inter. Tel. Tel	212,700	32½	−

shares to 8.21m., compared with 1 p.m. last Friday.

Some lower Corporate profit expectations resulting from the cold snap also contributed to the decline.

The Government's announcement at the opening of an upward revision of 1976 fourth quarter Real Gross National Product growth to 2.6 per cent. from 2.4 per cent. had little effect as investors are now concentrating on the expected improvement in 1977's second quarter.

Eastman Kodak, actively traded, continued under pressure, falling $1 to $69½. Du Pont were off $½ at $135, and General Motors eased $½ to $72½.

Standard Oil of Ohio dropped $1½ to $82½—it expects sharply lower earnings for the first quarter.

Richmond Corp. also shed $½ to $20 and Benguet Consolidated were down $½ at $3½.

Gold Mines gained ground on higher bullion prices abroad. Homestead Mining rose $1 to $43½, Dome Mining $1½ to $52, Campbell Red Lake $½ to $29 and Rosario Resources $½ to $28½.

THE AMERICAN SE Market Value Index gained 0.05 to 112.51, while the trading volume expanded 250,000 shares to 1.26m. compared with 1 p.m. last Friday.

OTHER MARKETS

Canada also lower

Canadian Stock Markets also moved to lower levels yesterday morning, when only Golds, up 16.8 to 1,134.3 on index, moved against the general trend.

The Metals and Minerals Index lost 6.8 to 1,176.8, Oil and Gas 2.3 to 1,110.0, Utilities 0.71 to 147.13, Banks 0.53 to 225.14 and Papers 0.34 to 114.34.

PARIS—French shares fell heavily across the board following the stronger-than-expected gains made by the Socialist-Communist Alliances in Sunday's Municipal Elections. Losses ranged as high as between 6-8 per cent. Trading was termed "very active and jittery." An additional factor was the approaching monthly Settlement of the Forward Market on Wednesday.

Hardest-hit were Electricals.

There were only four significant gainers in the whole market—Auxiliaire de Navigation, Beghin and Babcock.

Internationals also were affected by the depressed markets, although Germans and Canadians mainly improved and Dutch issues were steady. Americans were weak.

BRUSSELS—Prices were mostly lower after moderately active trading.

Most Steels lost ground. Hainaut-Sambre were off Frs.20 to 990. Declines also predominated among Non-Ferrous Metals.

Utilities were steady to higher but Chemicals eased. Gevaert were off Frs.4 to 1,246.

Oils were lower while Holdings finished mixed.

Zairean shares were little changed. Finoutremer shed Frs.8 to 876, while Comeira Oil finished Frs.2 lower at 728 after an initial loss of Frs.14.

Other Internationals were predominantly lower. In narrowly reduced U.S. Stocks, G.M. dipped Frs.25 to 2,610, ITT Frs.4 to 1,212 and Westinghouse Frs.16 to 642.

French issues plunged following Sunday's gains of Leftwing forces in French Elections. Peugeot declared Frs.60 to 1,690. Paribas Frs.32 to 1,040, Pechiney Frs.24 to 506 and Petroles D'Aquitaine Frs.80 to 2,005.

GERMANY — Shares closed mixed, with French Municipal and German State Election results having little effect on markets.

Electricals generally firmed slightly. Engineerings weakened but Motors were higher. Stores were mixed.

Banks were active. Deutsche Bank climbed DM2 to DM274 and Dresdner Bank were marginally higher at DM220.50. Major Banks are due to release their annual reports over the next few weeks.

Chemicals were steady to slightly firmer. Bayer were up DM1.20 to DM139—it is due to release its 1976 results on Wednesday.

Public Bonds gained up to DM0.35. The Regulating Authorities sold DM14.6m. nominal of stock. Mark Foreign Loans were steady.

AMSTERDAM—Narrowly mixed in dull conditions.

Most Dutch Internationals eased.

Banks and Industrials were slightly firmer, while Transports and Insurances were mixed.

Van Gelder held unchanged, despite passing its dividend for the second year running.

HBG Building Contracting were up Fls.1.30 to 86.80 and KSH Food-Products rose Fls.1 to 27.20.

Bonds were steady.

MILAN—Irregularly higher in subdued trading at the start of the new Account.

Generale Immobiliare fell Lire1½ to 94.

Mediobanca firmed Lire300 to 40,500 in Banks. Assicurazioni Generali rose in better Insurances, while Financials were mixed.

SWITZERLAND—Markets were generally steady on hopes for a Swiss economic revival. The stability of the Swiss franc at a relatively low level also tended to bolster market sentiment.

Banks were slightly firmer. Among Financials, Interfood were sought and up Frs.140 at 2,740.

In Industrials, Hero, Globus, Alusuisse and Sulzer each advanced.

Insurances were easier.

Dollar stocks were narrowly mixed, Dutch Internationals fluctuated slightly, while Germans were generally slightly higher.

OSLO—Industrials, Shippings and Bankings were quiet, while Insurances were slightly firmer.

VIENNA—Irregular in moderate trading.

COPENHAGEN—Higher in fair dealings.

HONG KONG—Mixed in slow trading.

Swire Pacific "A" were up 30 cents to $HK8.60 and China Light 10 cents to $HK19.70.

But Hong Kong Electric were down 5 cents to $HK5.15.

TOKYO — Closed yesterday—Spring Holiday.

AUSTRALIA—Generally higher, with Mining leaders, particularly Base Metals and Golds, rising on the continuing firmness of World Metal Markets.

Central Norseman moved up 53 cents to $A4.10, GMK 10 cents to 50 cents and Emperor 6 cents to 47 cents.

JOHANNESBURG—Gold shares were quiet and narrowly mixed.

Financial Minings were also mixed.

Anamint rose 30 cents to R45.50.

Coppers lost ground later, with Messina shedding 3 cents to R337, and Platinums also drifted off.

Indices

NEW YORK —DOW JONES

	Mar. 18	Mar. 17	Mar. 16	Mar. 15	Mar. 14	Mar. 11	1977 High	1977 Low	Since compilation High	Since compilation Low
Industrial	961.02	964.64	968.00	965.01	952.38	947.72	999.75 (3/1)	951.52 (11/2)	1051.70 (11/1/73)	41.22 (2/7/32)
Home Bonds*	91.09	91.16	91.06	90.94	90.98	90.81	93.57 (3/1)	90.69 (7/3)	—	—
Transport	231.35	228.85	228.56	227.36	225.56	224.49	237.52 (5/1)	221.81 (25/2)	279.88 (7/2/69)	13.23 (8/7/32)
Utilities	107.52	107.36	106.82	105.44	105.58	106.69	111.87 (3/1)	104.07 (25/2)	163.32 (20/4/69)	10.58 (28/4/42)
Trading vol 000's	18,340	20,700	22,148	23,940	19,290	18,230	—	—	—	—

* Basis of index changed from July 1.

	Mar. 11	Mar. 4	Feb. 25	Year ago (approx.)
Ind. div. yield %	4.47	4.43	4.50	3.74

STANDARDS AND POORS

	Mar. 18	Mar. 17	Mar. 16	Mar. 15	Mar. 14	Mar. 11	1977 High	1977 Low	Since compilation High	Since compilation Low
*Industrials	115.37	115.66	115.80	115.60	112.88	111.98	118.82 (3/1)	118.68 (25/2)	134.64 (11/1/73)	3.52 (30/6/32)
†Composite	101.86	102.06	102.17	101.98	101.42	100.65	107.00 (3/1)	99.48 (25/2)	125.85 (11/1/73)	4.40 (1/6/32)

	Mar. 16	Mar. 9	Mar. 2	Year ago (approx.)
Ind. div. yield %	4.09	4.17	4.15	3.68
Ind. P/E Ratio	10.69	10.45	10.83	13.66
Long Govt. Bond yield	7.72	7.78	7.76	5.78

N.Y.S.E. ALL COMMON.

Mar. 18	Mar. 17	Mar. 16	Mar. 15	1977 High	1977 Low
55.56	55.45	55.50	55.37	57.07 (4/1)	54.89 (25/2)

Rises and Falls	Mar. 18	
Issues Traded—1,871	Up—649	
Down—725	Same—500	
New Highs—101	New Lows—51	

MONTREAL

	Mar. 18	Mar. 17	Mar. 16	Mar. 15	1977 High	1977 Low
Industrial	185.48	185.47	185.23	184.43	185.41 (17/3)	175.39 (21/1)
Combined	182.74	182.68	182.75	182.11	182.75 (16/3)	176.20 (18/1)

	Mar. 18	Mar. 17	Mar. 16	Mar. 15	1977 High	1977 Low
TORONTO Composite	1052.5	1051.9	1052.6	1,029.4	1052.3 (16/3)	992.0 (18/1)

JOHANNESBURG

	Mar. 18	Mar. 17	Mar. 16	Mar. 15	1977 High	1977 Low
Gold	187.2	184.0	182.7	179.0	190.5 (4/3)	146.9 (7/2)
Industrials	175.0	172.5	172.9	173.7	156.6 (1/1)	172.2 (17/3)

	Mar. 21	Previous	1977 High	1977 Low
Australia (a)	439.21	434.29	447.52 (17/1)	419.69 (16/2)
Belgium (b)	94.28	96.00	99.12 (10/1)	92.61 (23/2)
Denmark (d)	106.56	105.42	106.56 (21/3)	98.96 (6/1)
France (e)	51.5	53.7	58.4 (7/1)	53.4 (24/2)
Germany (f)	730.8	725.5	764.1 (10/1)	712.5 (10/3)
Holland (g)	83.4	83.3	85.4 (15/3)	81.2 (25/1)
Hongkong (h)	415.61	416.19	447.05 (5/1)	415.45 (14/3)
Italy (i)	66.76	65.96	73.71 (5/1)	65.76 (21/3)
Japan (m)	(c)	517.39	533.19 (9/2)	514.35 (14/3)
Singapore (n)	250.01	249.55	260.29 (10/1)	249.50 (18/3)

	Mar. 21	Previous	1977 High	1977 Low
Spain (o)	—	96.65	102.37 (1/3)	89.95 (11/2)
Sweden (p)	412.61	410.52	415.15 (16/3)	359.10 (14/2)
Switz'land (r)	290.1	229.7	292.6 (11/3)	283.3 (5/3)

Indices and base dates (all base values 100 except NYSE All Common—50, Standards and Poors—10 and Toronto 300-1,000, the last-named based on 1975.) (a) Sydney All Ord. (b) Belgian SE 31/12/63. (d) Copenhagen SE 1/1/73. (e) Paris Bourse 1961. (f) Commerzbank December, 1953. (g) Amsterdam Industrial 1970. (h) Hang Seng Bank 31/7/64. (i) Milan 2/1/73. (m) Tokyo New SE 4/1/68. (n) Straits Times 1966. (o) Madrid SE 31/12/76. (p) Stockholm Industrials 1/1/58. (r) Swiss Bank Corp 31/12/58. (u) Unavailable. ‡ Excluding bonds. * 400 Industrials. † 400 Inds., 40 Utilities, 40 Finance and 20 Transport. (c) Closed.

£ fluctuates

The Bank of England was reported to have given support to sterling in the foreign exchange market yesterday morning and to have intervened to prevent too sharp a rise in the afternoon. Nervousness ahead of the censure debate in Parliament to-morrow and the possibility of an early general election prompted the initial selling and the pound fell to a low point of $1.7145-1.7150. Natural demand pushed the rate up to $1.7172-1.7182 in terms of the U.S. dollar at the close, a rise of 5 points from Friday. Its trade-weighted index against 20 major currencies, on the basis of the Washington Currency Agreement of December 1971, as calculated by the Bank of England, fell to 61.8 from 61.9, after standing at 61.7 at noon and 61.8 in early dealings.

The authorities probably also intervened to widen discounts on the pound for forward delivery, which also had the effect of pushing up Eurosterling interest rates. Three-month sterling's discount against the dollar widened to 3.09 cents from 2.78 cents.

Speculation about a possible reflation of the Japanese economy and an appreciation by the yen led to an upward movement of the Japanese currency. Trading tended to be rather erratic as a result of the closure of the Tokyo market for a national holiday, and the yen closed at Y279.15 against the dollar, compared with Y280.80 previously.

The French franc finished at Frs. 4.9835 in terms of the dollar, against Frs. 4.9830 on Friday, showing little reaction to the Left-wing alliance's victory in Sunday's municipal elections in France.

The dollar's trade-weighted depreciation since the Washington Agreement, as calculated by Morgan Guaranty, widened to 0.71 per cent. from 0.50 per cent.

Gold rose $2 to $151½-152½, the highest closing level since early March 1975.

SPECIAL DRAWING RIGHTS RATES

One SDR is equal to	Mar. 18	Mar. 17
Sterling	0.674241	0.672967
U.S. dollar	1.15720	1.15663
Belgian franc	42.4461	42.4094
Deutschemark	—	2.76737
French franc	5.76372	5.76969
Italian lira	1026.26	1025.99
Japanese yen	395.968	326.110
Dutch guilder	2.88779	2.88918
Swedish krone	4.87702	4.87720
Swiss franc	2.94739	2.95732

Values are for currencies against the SDR as calculated by the International Monetary Fund in Washington.

EXCHANGE CROSS-RATES

Mar. 21	Frankfurt	New York	Paris	Brussels	London	A'sterdam	Zurich
Fr'nkfurt	—	2.885 95	7.80 48.0	6.61-62	4 1.0 107	80.62 72	86.71-79
N. York*	41.83-85	—	3.05-07	2.7755-75	1.7175-7185	40. 6-7	39.24-6
Paris	38 725 125	4. 822 922	—	13.95-23	8.48-473	199.7 200.1	186 6 196.0
Brussels	[illegible]	36.65 65	7.34.8	—	62 84 95	14.26 0	14.84 1
London	4.10-11	1.7172 82	8.c64-62	2.90 83.05	—	4.28½ 29½	4.37½-38½
Am'rd'm	104.510 865	2.4-6 77	50.14 09	6.71 6 55	4.51 6	—	97.995 045
Zurich	10.26 64	2.410 77	1.09 13	4.47 951	4.375 516	102.0-08	—

U.S. $ in Montreal. U.S. $ = 105.28-32 Canadian cents. Canadian $ in New York. C$ = 94.93-96 U.S. cents. U.S. $ in Milan 887.40-70. Sterling in Milan 1524.25-1525.25. *Rates for March 19

EURO-CURRENCY INTEREST RATES*

Mar. 21	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	W. German mark	Swiss Franc
†Short term	13¾ 14¼	4⅛-4⅝	6½-7¼	6⅛-6⅜	4⅛-4⅝	3-3¼
7 days notice	12½ 13	4⅝ 4⅞	7 8	6⅛ 6⅜	4⅛-4⅜	3 3¼
Month	12 12½	4¾ 5	7⅜ 7¾	6⅛ 6⅜	4⅛-4⅜	3¼ 3⅝
Three months	12⅜ 12⅞	5-5¼	7⅜ 7¾	6¼-6	4⅛-4⅜	3⅛-3⅜
Six months	12 [illegible]	5⅛-5¾	7⅜-7¾	5¾-6	4 4⅜	3¾-3⅞
One year	12½-19⅛	6⅞-6⅛	7¾-6⅛	6-6¼	4¾ 4⅞	3⅞-3⅛

Euro-French deposit rates: two-day 9¾-10½ per cent.; seven-day 9½-10½ per cent.; one-month 10½-10¾ per cent.; three-month 10¾-11 per cent.; six months 11⅛-11⅜ per cent.; one year 11⅛-11⅜ per cent.

Longer-term Eurodollar deposits: two years 7-7½ per cent.; three years 7½-7¾ per cent.; four years 7⅞-7⅞ per cent.; five years 8-8¼ per cent.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 4$^{13}/_{16}$-4$^{15}/_{16}$ per cent.; three-month 4$^{15}/_{16}$-5$^{1}/_{16}$ per cent.; six-month 5¼-5⅜ per cent.; one year 5$^{13}/_{16}$-5$^{15}/_{16}$ per cent.

* Rates are nominal closing rates.

† Short-term rates are call for sterling, U.S. dollars and Canadian dollars; two days' notice for guilders and Swiss francs.

OVERSEAS SHARE INFORMATION

Investment premium based on $2.60 per £1—112½% (110½%).

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax.

◆ DM50 denom. unless otherwise stated. ♥ Ptas.500 denom. unless otherwise stated. ♣ Kr.100 denom. unless otherwise stated. ⊕ Frs.500 denom. unless otherwise stated. Yen 50 denom. unless otherwise stated. § Price at time of suspension. a Florins. b Schillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. g Gross div. %. h Assumed dividend after scrip and/or rights issue. k After local taxes. m % tax free. n Francs; including Unilac div. p Nom. q Share split. s Div. and yield exclude special payment. t Indicated div. u Unofficial trading. v Minority holders only. y Merger pending. * Asked. † Bid. § Traded. ‡ Seller. z Assumed. xr Ex rights. xd Ex dividend. xc Ex scrip issue. xa Ex all. A Interim since increased.

NEW YORK

Stock	Mar. 18	Mar. 17	Stock	Mar. 18	Mar. 17	Stock	Mar. 18	Mar. 17	Stock	Mar. 18	Mar. 17	Stock	Mar. 18	Mar. 17
Abbott Labs.	45	45¼	Corning Glass	62⅛	62¼	Johns Manville	32¼	32⅛	Revlon	39⅛	39⅝	Xerox	49	49⅞
Addressograph	12	12¾	CPC Int'nation'l	46½	46¼	Johnson Johnson	71¾	72⅝	Reynolds Metals	42½	42⅝	Zapata	10⅞	10⅞
[illegible]			Crane	32⅛	33¼	Johnson Control	39⅛	38½	Reynolds R. J.	67¼	69	Zenith Radio	26¼	26½
[illegible]			Crocker Nat.	27	27	Joy Manufactur'g	47½	47¼	Rich'son Merrel	24¼	24¼	U.S. Treas 4% 80	†91⅛	†91⅛

[illegible]

CANADA

[illegible]

GERMANY ◆

[illegible]

AMSTERDAM

[illegible]

COPENHAGEN ♣

[illegible]

VIENNA

[illegible]

TOKYO †

Mar. 18	Prices Yen	+ or −	Div. %	Yld. %
Asahi Glass	388	−2	14	2.1
Canon	598		11	0.9
Casio	440	−1	25	2.8
Chinon	980	−6	20	1.0
Dai Nippon Print	568	−2	18	[illegible]

[illegible]

AUSTRALIA

Mar. 21	Aust. $	+ or −
ACMIL	†0.66	+0.03
Acrow Australia	†0.60	
Adelaide Brighton Cement 60c	†1.55	
Allied Mntg-Trdg.Indus.$1	†1.61	
Ampol Exploration	†0.55	−0.01

[illegible]

BRUSSELS/LUXEMBOURG

[illegible]

PARIS

[illegible]

STOCKHOLM

[illegible]

MILAN

[illegible]

SWITZERLAND ⊕

[illegible]

OSLO

[illegible]

BRAZIL

[illegible]

JOHANNESBURG

[illegible]

SPAIN ♥

[illegible]

GOLD MARKETS

[illegible]

FOREIGN EXCHANGE

[illegible]

OTHER MARKETS

[illegible]

FORWARD RATES

[illegible]

FINANCIAL TIMES SURVEY

Tuesday March 22 1977

Air Transport

Increasing competition on the world's air routes has led to a major revision of the U.K.'s civil aviation policy. The priorities now are for an agreement to allow the Concorde to land in New York and also for a settlement of the arguments with the U.S. over North Atlantic and other air routes.

Strained relations

This Survey was written by Michael Donne, Aerospace Correspondent

IATION policy in the een nndergoing some thinking in recent with the aim of ing the long-term of the air transport n preparation for a f renewed growth, ich tongher commer- ions, that should lie remains to be seen the Government's home and overseas. cessful.

ere seems to be little ut is the long-term of world civil air Despite the economic of the past few years, from the oil crisis nf and the subsequent recession, there is eral belief that civil facing a promising Already, despite a 1974 and 1975, world ger traffic rose last out 10 per cent., and d to continue rising rage annual rate of and 8 per cent. In ns of the world, such dle East, it is already ites up to 15 per cent. K. alone, the growth st few weeks of the ar has been close to it.

enewed expansionary the competitive con- re bound to get s the world's major ght for bigger indi- res of the growing onset of these increas- petitive pressures has ecent years to a revi- erall policy, with a consequent decisiona the entire U.K. civil fort.

y

ncluded the decision en the merger of the owned airlines, BOAC the decision by the nt to revise airports d develop a strategic Airports Plan"; the y Laker Airways to nsatlantic scheduled ghts with cheap-fare the decision tn revise l aircraft licensing nts and create special of interest" in parts of the globe for itish Airways and Caledonian Airways; y, last year, to form- nounce" the existing erican bilateral air t and to seek a new the middle of this

of all this has been oversial issue of the with the long-drawn of whether or not the is eventually to be operate even a trial flights into Kennedy New York. Much upon this, for many port authorities round —such as Tokyo—are to see the New York reaction, with a view to model- ling their own attitudes upon it. *If Concorde is eventually per- mitted to fly into New York*, the negotiation of additional route rights elsewhere—to South Africa, across India, to Japan, and across the Soviet Union and to parts of the Middle East, such as Tehran—looks likely to become easier. Upon this route expansion in turn depends the chances of not nhly making money with the aircraft in passenger service, but also nf selling or leasing the remaining five Concordes still on the pro- duction line, and perhaps the possibility of the two govern- ments authorising production of additional aircraft.

All of these are intermingled, even tangled, threads in a U.K. civil air transport policy, that is still only now being un- ravelled. It may take months before all or even some of these problems are resolved. But the key issue is probably the need successfully to renegotiate the current Anglo-U.S. civil aviation agreement upon which a sub- stantial part of the entire future of U.K. air transport depends—fares, routes, re- venues, seating capacities and cargo and charter operations.

The U.K. formally gave notice to the U.S. last summer that it intended to terminate the exist- ing Anglo-U.S. bilateral air agreement covering all air services between the two countries, with effect from Jnne 22 this year. Negotiations are now in progress in an attempt tn hammer out a new pact to become effective on Jnne 23.

Considerable significance attaches to this, because the principles embodied in the cur- rent Anglo-U.S. pact (called the Bermula Agreement after the venue of the discussions on the original agreement in 1946) haa been adopted by many countries as the model for their own bilateral civil air agreements with the U.S. Significant changes in any new Anglo-U.S. pact will be bound to be again followed by other countries in framing their own bilateral air negotiations with the U.S.

This accounts for the vigour and determination behind the U.K. approach to the current discussions. There is no doubt whatever in the U.K. Govern- ment's mind as to the need for an entirely new agreement, and not just a patched up version of the old agreement. The original pact has lasted for over 30 years, and in that time the U.K. has been steadily moving into a greater financial imbalance with the U.S. on airline earnings. On the U.K.-U.S. North Atlantic route, earnings have fur long been heavily in favour of the U.S., and when earnings from the routes to Bermuda and Hong Koog are included, the overall imbalance is even worse. The U.S. airlines, for example, can earn in a year £293m., against the U.K. airlines' £130m. At the same time, there has been mas- sive waste of resources through too many seats chasing too few passengers — the problem of "over-capacity."

This the U.K. wants to see reduced, not only because of the financial problems that over-capacity causes, but also because of waste of fuel re- sources, manpower and money involved, which often results in fares being higher than they need be.

Benefits

Yet another problem has been the exceptional benefits enjoyed by U.S. airlines in what are known as "fifth- freedom" rights—the ability of U.S. operators to pick up traffic in, say, London and carry it on to Frankfurt, in competition with British Airways. The U.K. has felt increasingly that the U.S. fifth-freedom rights were too great, and that there should be a fairer balance in the rights enjoyed by both sides.

The U.K. has also become wearied by the U.S. Civil Aero- nautics Board negotiating habits—for example, permitting the world's airlines through the International Air Transport Association to reach agreement on new fares policies for the North Atlantic, and then pro- nouncing a veto on them at the last minnte—as happened with North Atlantic fares last spring.

For all these reasons, the U.K. has pressed its attack vigorously in the discussions held so far. Now, however, it is apparent that the U.S. has recovered, and is returning to the attack in its own right. The last series of talks in London in late February were mnch tougher than the previous dis- cussions.

If there is one special reason in particular for this it is the decision by the U.K. to insist upon what is called "single- designation."

This has been one of the main planks in the U.K. argument hitherto—that each country should permit only one of its flag airlines to fly between specific cities ("city- pairs") in each country. If pur- sued to its logical conclusion this would mean, for example, either Pan American or Trans World Airlines giving up rights nn the New York-London route, which each currently flies.

But the U.K., having pressed this argument, may well be obliged to revise it, however, as a result of the decision taken earlier this year by Mr. Edmund Dell, Secretary for Trade, to reverse the U.K. Government's original stand, and support, instead nf object to, the low-fare Skytrain services proposed by Laker Airways.

Whereas initially the U.K. approved Skytrain (a plan for no - reservations, scheduled flights between Stansted and New York) it subsequently decided to reverse that attitude, under the new civil aviation policy framed by Mr. Peter Shore, when Secretary for Trade, in early 1976. It was that policy which created the new "spheres of interest" for British Airways and British Caledonian (allocating each air- line specific parts of the globe as their exclusive areas of operation under the U.K. flag). The "spheres of interest" plan involved some substantial route- swapping between BA and B.Cal., with BA giving up its three northern South American points (Caracas, Lima and Bogota), and B.Cal. giving up its rights to New Ynrk, Los Angeles and other North Ameri- can points, with the exception of Atlanta and Houstnn, which it retained.

Thus, under this policy there was no room for Laker's Sky- train, and the U.K. Government made it clear that it was plan- ning to rescind Laker's designa- tion as an Atlantic scheduled airline. Laker, however, decided to fight, and after a long series of triumphs in lower courts, was finally vindicated in the Appeals Court late last year, when it was ruled that the U.K. Government had gone beyond its powers in seeking to relieve Laker nf its Skytrain licence.

Convenient

It was theo up to Mr. Edmund Dell (who in the interim had succeeded Mr. Shore as Secre- tary for Trade), to decide whether or not to appeal to the House of Lords (in which case he would be jeopardising the entire new "spheres of interest" policy), or to accept the Appeals Court judgment, recognising that this could complicate the U.K.'s "single-designation" plan for the North Atlantic in the bilateral negotiations.

Mr. Dell chose the latter course, as perhaps politically the most convenient, in the hope that it would be possible to reach some accommodation with the U.S. in the bilateral talks on the inclusion of Laker on the North Atlantic, while still pre- serving the notion of single- designation.

This issue appears to be central to the whole fnture of the bilateral talks despite the U.K.'s insistence that Skytrain should be regarded as a "separate issue." If the U.S. chooses to give Laker the re- ciprocal U.S. licence he needs, there could be two U.S. airlines on the London-New York route (Pan Am and TWA) and two British (BA aod Laker), thus effectively destroying the U.K.'s single-designation plan, no matter how much it might want to call Laker Skytrain a "separate issue" dealt with under a separate "memoran- dum of understanding."

There seems little doubt that the Government's about-turn on the Laker issue has complicated the bilateral discussions, which were already showing signs of becoming much tougher as a result of the U.S. streogthening its negotiating team, under the leadership of Mr. Alan Boyd, a former Transportation Secre- tary and former chairman of the Civil Aeronautics Board.

There is still some time to go, however, before the old agreement expires, and the new one is intended to become effec- tive. Much can happen in that time, with changes of attitudes on both sides. At this stage, it does not seem likely that, on June 22, there will be sudden cessation nf air services betweeo the two countries just because of failure to agree on a new pact. Certainly, the U.K. is hopeful that even if the dis- cussioos prove to be more pro- tracted than expected, services can continue on the same basis as before, pending final agree- ment.

The U.S., however, takes a tougher line. It argues that the U.K. denounced the nld agree- ment, and has complicated the negotiations on a new one. If no pact is forthcoming by the end of Jnne, the U.K. must therefore bear the consequences. The only counter to this is that the U.S. already benefits more than the U.K. from the old agreement, and is thus not likely to disrupt air services and inconvenience large numbers of U.S. citizens in the middle of the peak sum- mer season.

But it is clear that it is going *to be a long, cold spring in* transatlantic civil aviation relationships.

terminal area at Gatwick. The British Airports ority is in the final stages of a £70m. develop- scheme, which will enable Gatwick to handle passengers a year—it currently handles 6m.

The new central pier (at left in the picture) will enable many more wide-bodied jets like this McDonnell Douglas DC-10 Series 30 which has just been acquired by British Caledonian to use Gatwick.

AIR TRANSPORT II

BA seeks a fresh image

OVER THE past few months, a major reconstruction has been in progress at British Airways, the country's biggest international flag airline, which is designed to streamline its management and its overall capabilities for the tougher international conditions that lie ahead as the world's air transport industry moves back into a period of growth after the difficulties of recent years.

The process of change at British Airways has been continuous since it was created in 1971 by the amalgamation of the former British Overseas Airways Corporation and British European Airways. under the chairmanship of Sir David Nicolson. There were many, both inside and outside the two airlines, who thought and still think that such a merger was unnecessary, and even detrimental to the long-term interests of both operations. Indeed, breaking down the entrenched hostility to amalgamation was one of the major tasks faced by Sir David in the initial period of the new British Airways' life, and which was also encountered by Mr. Henry Marking, as deputy chairman and managing director in the interregnum period before the latest chairman and chief executive. Sir Frank McFadzean, took over the post full-time in mid-1976. Even to-day, many of the old loyalties still remain, and it is possible that it will take some further time before a truly complete identification with the image and aims of the new British Airways is obtained throughout the airline.

It was Mr. Marking who recognised that there was a danger of the airline becoming too rigidly compartmentalised under the concept of a European, Overseas (long-haul) and Regional (U.K. domestic and near-Continental) divisional structure, and who set up the task force whose primary task was to study the problem and make recommendations.

In the event, it is upon Sir Frank that the burden of implementing the reconstruction has fallen, and everything that has emerged in recent months indicates that he is undertaking this task vigourously. He cited his reasons for the reorganisation some time ago as being: "All round the world the signs are that the commercial environment in which BA operates is becoming more competitive, less protective, more demanding of aggressiveness and efficiency. As it changes, BA must change with it. That is what we are doing. Recasting our organisation to become unmistakably one strong, united airline and streamlining our top management will lead to a leaner, sharper, more effective structure all down the line. It will make us more competitive, and that should mean greater profitability."

Changes

Although the changes that have been and are being made have not yet had a chance to work through, and produce the results Sir Frank is seeking, the changes are being constructed on a sound base. Financial figures issued by the airline for the first nine months of of the current financial year, to end-December, 1976, show that BA earned an operating surplus of £106m. on revenues of £926m., compared with £23m. on revenues of £671m. in the comparable period of 1975.

After taxes and interest, the net profit amounted to £31m. against a loss of £4m. for the comparable period a year earlier, a turn-round of £35m., largely due to such factors as the fall in the value of sterling (which added an estimated £30m. to the surplus before interest), and to the buoyancy of operations last summer, traditionally the best period of any airline's year. The worst three months of the year, from January to March, are not expected to wipe out this profit entirely, and it seems likely that for the year as a whole, British Airways may produce a net profit of something like £20m., on a turnover that is likely to exceed one billion pounds.

It is onto this base that the new, streamlined organisation will have to build. The overall financial task, as outlined by Sir Frank, is to earn enough money not only to enable the airline to pay dividends on its equity Public Dividend Capital, but also to pay its way in the commercial market, finding the cash to finance such major items as fleet re-equipment, for example. Sir Frank says that the airline has not paid a dividend on its equity for the past two years, "and we cannot expect to continue to obtain more than half our capital free."

The airline's fleet requirements are also certain to expand in the years ahead, to meet the anticipated traffic growth. Quite apart from additional Boeing 747 Jumbo jets and more of the versatile Lockheed TriStars which in various versions are used for short, medium and long-range operations, BA will probably need a substantial number of new short-to-medium range aircraft.

These will be needed to replace its existing ageing fleets of One-Eleven and Trident jet airliners in the 1980s. The airline will also probably need a smaller airliner, in the 80- to 100-seat class, to replace its ageing Viscounts which still fly on many of the domestic operations.

No decisions on these new types of aircraft have yet been taken, but it seems likely that the airline will have to make up its mind before the end of this decade, so that it can place the orders for progressive delivery in the early 1980s. Along with the other major airlines of Western Europe, notably Air France and Lufthansa, BA has been studying the various ideas for new short-to-medium haul jets put forward by the major manufacturers, notably Boeing, Lockheed and McDonnell Douglas, and has done a considerable amount of work in refining its own ideas of what it needs.

Race

At this stage, however, it is not prepared to leap into the re-equipment race. The new management certainly does not see BA becoming a pioneer of new airliners—its predecessors had more than enough of that experience in the past 30 years. It is likely, therefore that BA will be content to wait a little, to see precisely what the manufacturers finally can offer and what the other big airlines will buy, before committing itself to a new type which it will have to buy in large numbers—perhaps as many as 50 new medium-haul jets eventually — that will cost it many hundreds of millions of pounds. A mistake on a re-equipment bill of such magnitude could be financially and operationally disastrous for any airline.

It is against this background that the reorganisation of BA must be viewed. It has been by far the most complete and far-reaching reorganisation British civil aviation has seen, following the merger of BOAC and BEA itself.

The former divisions—European (largely formed out of the former BEA), Overseas (substantially the former BOAC) and Regional (effectively built round the smaller airlines, Channel, Scottish, Northeast and Cambrian) are being abolished from April 1.

In their place will be a new structure, comprising a deputy chairman in charge of Commercial Oprations (Mr. Ross Stainton, hitherto chief executive of the OD, who now also becomes a deputy chairman of the airline), and a Director of Flight Operations (Captain Jack Jessop, hitherto chief executive of the Regional Division). Mr. Roy Watts, the chief executive of the European Division, becomes director of commercial operations and the deputy to Mr. Stainton.

Commercial Operations will be responsible for deploying the airline's resources—such as aircraft—throughout the world. Flight Operations will be responsible for providing the flight-deck and cabin crews. A single Engineering Department has already been established, under Kenneth Wilkinson, responsible for all the engineering and maintenance throughout the airline, and also for the studies that will eventually determine what new airlines the airline will buy.

In addition, there is a new Marketing Director, Mr. Gerry Draper, responsible for the entire sales operations of the airline throughout the world.

Mr. Henry Marking, hitherto deputy chairma[n] ... director, retai[ns] ... chairmanship, a[s Sir] Frank McFad[zean] ... two, but reliqu[ish]ing director's ro[le] ... Mr. Marking ... responsible for ... national affairs, secretarial and ...

This is the fin[al] ... new top mana[gement of the] airline. Conseq[uent] ... changes, there ... additional chang[es] ... and tasks dow[n] ... these readjustm[ents] ... progress. Som[e] ... staff have been ... dant, or have b[een] ... retirement. It ... there will be m[ore] ... ges, moving do[wn] ... into the airline ... said that the ... is going to need ... the top, and in ... lower levels as ... many redundan[cies] ... eventually be, ... knows, but th[ey] ... likely to occur ... ranks of the ... than on the sho[p] ...

The proof of ... this restructur[ing] ... come with tim[e] ... the profits that ... earn in the exp[ected in]creasingly com[petitive] ... airline market-p[lace] ... start has been ... hoped that the ne[w] ... can build upon it ... owned civil avia[tion] ... subjected to man[y] ... the past 30 years ... beneficial either ... or the econom[y] ... changes are th ... reaching. It is to ... will prove to be ... cessful.

The search for a new airliner

ONE OF the major problems now dominating the thoughts of the airlines and aircraft manufacturers throughout the world is the need to find one or more new short-to-medium range airliner types with which to replace existing fleets in the 1980s and beyond.

This replacement problem has arisen for a variety of reasons. The first is that many of the existing short-to-medium range jet aircraft in service—the Boeing 737 and 727, the McDonnell Douglas DC-9, the British Aircraft Corporation One-Eleven, the Hawker Siddeley Trident and the Fokker F-28—are ageing. Some of them have been in service since the early 1960s, and are approaching 15 years of age. In that time, all these breeds of airliner have been steadily improved, in terms of both range and payload performance, and many airlines, especially in the U.S., are already replacing some of their earliest purchases of these aircraft with the latest derivatives of the same basic types.

But this trend cannot go on for ever. Because of the airlines' own demands for improvements in range and payload performance, and better fuel consumption at a time of rising fual costs, and also because of the continually increasing environmental pressures for ever-quieter aircraft, there is a growing need for entirely new types of airliner with which to see the air transport industry through the next twenty years or so. The aircraft that are being designed now, for service from the early 1980s onwards, will be those upon which the airlines will still be depending in the late 1990s and perhaps even into the next century.

Different

These new types of aircraft will thus need to be significantly different from their predecessors — for example, they will probably require improved wing designs to enable them to fly with greater fuel-efficiency. A new generation of engines will also be required, both for greater fuel-efficiency and less noise. The major engine manufacturers, Rolls-Royce, General Electric and Pratt and Whitney, are already working in this field, with either new versions of their existing high-thrust engines, such as the RB-211-535, or entirely new models such as the joint Rolls-Pratt JT-10D.

It has been estimated by Boeing, the world's biggest jet transport manufacturer, that between now and 1985, the world's airlines will need to spend up to about $53bn. (in 1977 dollars) on about 3,000 airliners of all kinds, of which the engine market will be worth $27bn. alone. While some of these aircraft will be in the long-range category—primarily Boeing 747 Jumbo jets in both the standard or Special Performance (SP) very long-range models, and long-range versions of the McDonnell Douglas DC-10 and Lockheed TriStar — and some will also undoubtedly be freighters, the majority of the market seems likely to lie in the short-to-medium range field, probably accounting for upwards of 2,000 aeroplanes.

For it is here that the major expansion of the world's air traffic is expected to occur. While there will continue to be growth on the long-haul air routes, the bulk of the world's air travellers traditionally have flown, and are expected to continue to fly, on the short to-medium routes from 200 miles up to about 2,000 miles in length.

Three broad categories of short-to-medium aircraft appear to be emerging. The first is in the 80-120 seat bracket; the second in the 120-180 seats category; and the third in the 200-plus seat category. There are, of course, variations on all these themes. Individual airlines want to see aircraft tailored particularly to their specific route requirements. But in so far as it is possible to categorise a confused and still-developing market, these are the areas where effort is mostly being concentrated.

In the U.K., the Hawker Siddeley short-haul HS-146 is a contender for the first category, with the Fokker-VFW company in Holland also considering a derivative of its successful F-28.

But it is in the next category that most of the current interest seems to lie, because it is here that the biggest market in terms of aircraft numbers will occur. Boeing estimates that upwards of 50 per cent. of all future civil aircraft sales will lie in the 120-180 seat area, and it is offering a family of jets currently called only 7N7, but including a variety of designs for seating configurations of 120 passengers, 160-180, and 150-170, with range capability up to about 2,000 nautical miles. It is in this broad area, too, that the British Aircraft Corporation has been offering its 135-160 seat X-Eleven design, while Dassault-Breguet of France has been exploring the possibilities of selling its Mercure 200 design (more recently known as the Advanced Short-to-Medium Range, or ASMR), in conjunction with McDonnell Douglas of the U.S. (which also has derivatives of its own DC-9 on offer).

Lockheed of the U.S. has also recently entered this arena, with plans for new versions of the TriStar — a twin-engined version called the Dash 600, capable of carrying 174-200 passengers over distances of 2,700 nautical miles, and a "mini" TriStar, with three engines, called the Dash 400, capable of carrying 200-250 passengers over similar distances. Lockheed plans to use versions of the Rolls-Royce RB-211 engine in these new variants, and is offering industrial collaboration on them with the U.K. industry.

In the 200-plus seat bracket, Boeing is also a major contender, with an entirely separate family of jets, called 7X7, having larger payload-range capabilities than the smaller 7N7 models. While Boeing has spent some considerable time on the 7X7, with over 1,500 hours of wind-tunnel work and over $50m. spent on it, in conjunction with Aeritalia of Italy, the emphasis to-day is more on the 7N7. This does not mean that Boeing is cooling off on the 7X7. Far from it. The company makes it clear that it is determined to build both families of jets if the market requires such aeroplanes, but that for the immediate future the 7N7 market appears to be the most promising.

Airbus

Also in this 200-plus seat category is the existing A-300 European Airbus, with such derivatives as the B-10X model, with separate discussions on possible collaboration with McDonnell Douglas of the U.S., and the rest of the European aerospace industry, including the U.K., under way. McDonnell Douglas also has its own design, the DC-X-200, that is a contender in this area.

On the engine side, the major manufacturers are similarly working on a range of possible options ... airframe-builders' eventual needs. I[n] the U.K. is not on[ly] ... existing "high-th[rust] ... lbs-plus) RB-211 ... use in the 200-plus ... but has a lower-t[hrust] ... the Dash 535, of ... 30,000 lbs thrust, ... smaller 7N7-type ... this category, too, along with Pratt ... of the U.S., a ne[w] ... JT10D, on which ... and development ... progress.

Pratt and Whit[ney] ... offering its existing ... thrust engine; ... Electric is offering ... both high-thrust ... thrust versions ... engine in the ... the Franco-Americ[an] ... GEC) CFM-56. T[here is] ... no lack of suitable ... therefore, for whic[h] ... aircraft types fina[lly] ... from the larg[e] ... currently on offer.

The one factor ... terises the situation ... is uncertainty. Wh[o] ... knows that sooner ... world's airlines w[ill] ... replace their shor[t] ... range jets for the ... beyond, no airline ... great hurry to do s[o] ... a severe shortage of ... world airline ...

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B.Cal back in the black

ALEDONIAN Air- .K.'s second largest flag carrier, and dependent (it is large number of ness organisations itional investors, trong Scottish con- is recognised by ent as the official ce" airline after ys.

ne employs over at its main base, port, which is the worldwide network. ses U.K. domestic services between Glasgow, Edin- bester and Jersey; uropean flights to Amsterdam, Brus- ienoa, Le Touquet, rid and Rotter- to North, West and Africa; and virtu- whole of South addition, there are argo and passenger tions. The airline l of over 500 sche- ger flights a week its network, and eet of 17 short-to- BAC One-Eleven ong-range 707-320C oow bnying DC-10.

B.Cal group, which iday travel, hotel, investment com- around £100m. a ues. After a period causing some re- n 1974. the airline n the black, with a t of £6m. in the ember 30 last, and fits anticipated for nancial year.

e was one of the nf the new civil cy, announced by vernment last year, w "spheres of in- e created for both ritish Airways, so rline now has cer- f the globe as its es of operations K. flag.

s B.Cal was con- osition in West and Africa was streng- it was also given Caracas, Lima and Bogota, formerly flown by British Airways (the effect of this exchange virtually making B.Cal the sole U.K. operator to South America, BA retaining only Guyana).

But the price B.Cal was asked to pay was bigh, including the surrender of its rights to New York, Chicago, Los Angeles, and Toronto, and also to Bahrain and Singapore. The airline retained, however, its North Atlantic routes to Atlanta and Houston, which it intends to fly as soon as the necessary reciprocal U.S. approvals for those operations are obtained.

Expanding

The airline has already begun to operate to the three new South American points, where traffic ia expanding rapidly. It has also hegun to strengthen its operations in West Africs, with new services to Ahidjan on the Ivory Coast, and other French-speaking countries, including the Cameroons, Mauritania and Gabon.

But there are still some outstanding problems to be cleared up before the Government's "spheres of interest" policy can hecome fully effective so far as B.Cal is concerned. By far the most important of these is the reciprocal U.S. approval of the airline's rigbts to fly to Atlanta and Houston. It seems that B.Cal may well bave to wait until the current negotiations between the U.K. Department of Trade and the U.S. on a new Anglo-American bilateral air agreement are completed before it can expect to start carrying passengers on these routes.

The complexities surrounding these bilateral negotiations are discussed elsewhere, but if the British negotiators are able to sustain the principle of one flag airline from each country flying any specific ronte between the U.K. and U.S., it seems likely that B.Cal will get its Atlanta and Houston approvals. If so, there seems to be no reason why it could not start flying the routes before the end of thia year or early in 1978. The airline is pinning a good deal of its hopes for future revenue expansion on these lucrative routes to the Southern U.S., and would like to start earning money on them as soon as possible.

Even without Atlanta and Houston, bowever, it seems likely that B.Cal will earn increased profits in the current financial year, much of which is likely to stem from the expansion in traffic on Sonth American and West African routes. One of the most significant aspects of world air transport development is that traffic in many of the countries of the Third World is expanding faster than that between the industrial countries where air travel has been estahlished for many years.

Despite these difficulties over civil aviation policy, B.Cal ia sufficiently confident of its future on its long-baul routes to buy two McDonnell Douglas DC-10 wide-hodied tri-jet airliners, worth £40m., and is taking an option on two more. The first waa delivered last week, and went into service at the week-end on the route between London and Lagos and other West African cities. Tbe second aircraft is due for delivery later this spring, and is expected to enter service in May.

In addition to use on the West African scheduled services, the DC-10s, each seating up to 265 passengers (30 first-class and 235 economy class), will be used on the airline's expanding North Atlantic charter services, and perbaps also later this year on its scheduled routes to South America, and especially to Caracas, Lima and Bogota.

In selecting its new wide-body type, B.Cal decided that the DC-10 Series 30 long-range aircraft was the most suitable airliner readily available to meet all foreseeable growth and development on its long-haul routes network. The aircraft also has the advantage of being the high-capacity airliner most widely used by other airlines operating in B.Cal's "spheres of interest." Its choice thus means that the best possible advantage can be taken of technical co-operation facilitiea overseas.

In addition to its scheduled service operations, B.Cal has an extensive charter operation. Thia year, it will be providing some 35,000 round-trip DC-10 seats alone for North Atlantie Advanced Booking Charter operators, under contracts worth several million pounds. Two thirds of this traffic will be dollar-earnings, originating in the U.S. This will provide some 75 per cent. of B.Cal's overall DC-10 charter revenue. In operating this ABC programme, the DC-10s will fly tn a regular pattern, with New York being served on Mondays and Thursdays, San Francisco on Tuesdays and Fridays, Detroit on Saturdays and Los Angeles on Sundays. In its passenger charter rolé, the DC-10s will be seating an all-economy 295 passengers.

Cargo

The introduction of the DC-10s will also enable B.Cal. to offer a substantial improvement in its cargo capacity on the busy West African routes. With a 16 metric tonnes capacity, the DC-10 will boost B.Cal's weekly capacity to 105 metric tonnes. Complementing this cargo service improvement will be the introduction of the new 60,000 square feet purpose-built cargo centre at Gstwick Airport, coating £1.8m., which is expected to be fully operational by the apring of 1978, and capable of handling up to 150,000 tonnes of freight a year.

In common with other operators, B.Cal is deeply interested in a new type of short-to-medium range airliner for the 1980s, to replace its existing fleet of One-Eleven jets. The One-Elevens have heen undergoing a refurbishing process, designed to extend their in-service lives for several more years, until a new jet is available. This modernisation has inclnded installing a "wide-body" interior look to the aircraft.

So far, B.Cal has not made up its mind on what new aircraft to buy to replace the One-Elevens, largely beeause the manufacturers themselves have not been able to finalise their designs and make firm offers to the airlines. But the current thinking inside B.Cal, indicates that its ideal choice of aeroplane would be a development of an existing design, probably a "family" type of alrcraft that would offer derivatives for future development. The most suitable new aircraft is likely to be in the 120-130 seat category, with development potential up to about 160-170 seats. Its most challenging task will be to offer attractive operating economies compared with the existing One-Elevens.

To do this, B.Cal believes that it will have to be twin-engined, with a range of up to 2,000 nautical miles. Delivery is likely to be required by 1982, with the One-Eleven fleet being replaced on a one-for-one basis through the 1980s. Clearly, this kind of fleet expansion will require very substantial sums of money—each new aircraft seems likely to cost somewhere between £5m. and £10m. a time. This implies the need for a consistently high level of profitability on the part of B.Cal over the next few years, so as to be able to build up the reserves to finance such fleet procurement.

Stability

What B.Csl now wsnts more than anything else, however—along with other airlines, iocluding British Airways itself—is a satisfactory conclusion to the current Anglo-U.S. bilateral air agreement discussions, leaoing to a period of stability, free from political interference, in which to develop and expaod its activities, within the scope of the civil aviatioo policy that has already been laid down. While not wholebeartedly accepting that policy—it would have liked to retain its New York licence—B.Cal is prepared to try to live within it as a framework for its future development, although it makes it clear that it reserves ita right to apply for new routes as and when it sees a commercislly competitive opportunity opening for them.

What it does not want to see is a further bout of political interfereoce with the civil sirline industry in Britain, with aoy renewed chopping and changing of philosophies governing route allocatioos. Such changes, which have been all too frequent in recent years, debilitate the airline indostry's efforts to create a sustained profitable operation. It says much for B.Cal's managemeot that it has been able to steer the airline back into profitability, after a period of losses ensuing from the fuel crisis of late 1973 and the subsequent industrial recession.

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from the steeply of the past few the economic the major industrial y airlines have been sses, and only now pear to be moving period of greater bility.

tion is precarious, east, and it seems most airlines will h longer period of onomic prosperity have enjoyed over years before they epared to commit o the high costs of fleets of aew air- bodying advanced- wings and new

ignificantly, their ickers—mainly the and other financial in North America, nents in Europe and of the world—will signs of a sustained osperity before they t the heavy sums loans for re-equip-

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great re-equipment everyone expects to ime, is not likely to et. For the immedi- the major airlines— United, American, tern, Braniff in the thers in Europe—are rned to spend their ish on replacing their ets with updated existing types. This Boeing last year bad best years ever, with f $2.1bn. in new busi- 1 aircraft, mostly in nd 737s.

lone, which is expec- one of the leaders in re-equipment stakes start to run, has ommitted $350m. for advanced 727-200 jets ng to replace older phased out. United xpect to commit itself advanced-technology before the first half nd perhaps not until

Since many airlines heir cue from United, uipment race is not start for well over ear.

en it does start, it op quickly. It is esti- t virtually the whole placement market for and beyond will be ithin the short space to five years. This at if the first orders d in, say, late 1978, 83 the bulk of the will have been com- d only a comparatively of bnying will occur thereafter, although it is likely to be at a steady rate.

This explains why there is now so much scurrying among the manufacturers to settle their new designs and just as important, the various international groups that will build them. The designs and the groups have to be ready before the airlines decide to buy—for until coherent plans are drawn up in both areas no airline is likely to be interested. Tbe manufacturers' problem is that many of the airlines themselves do not yet seem to have clarified their thinking on what they want for the 1980s and beyond.

As a result of these uncertainties, it seems likely that throughout the rest of 1977, there will continue to be much discussion in both the airline and aircraft manufacturing industries, with the various ideas hecoming clearer towards the end of the year or early in 1978. This will ensble serious sales talks to get under wsy around the spring of next year, and hopefully the first contracts being exchanged with the pace-setting airlines (almost certainly in the U.S.) around mid to late summer, 1978. The first of the new generations of jets are then likely to enter service some time in 1982-83.

All of this, of course, covers only the short-to-medium range market. While all this is going on, there will continue to be sales of the existing long-range types, the 747s, DC-10s and TriStars and their variants.

Because of the high cost of developing any new types of airliner, it does not seem likely that any other Western manufacturers will seek to cballenge Boeing on the 747, McDonnell Douglas on the DC-10 or Lockbeed on the TriStar. But a new market appears to be emerging in the very long-range field, for an aircraft capable of flying over 6,000 nautical miles non-stop, carrying fewer passengers than any of the bigger jets—say, 150-180 against the 300-400 of the 747/DC-10/TriStar family. This is called the "long-thin" aircraft, and a market for anything up to 250 aircraft is foreseen up to the 1990s, worth well over £1bn. It is thus a market well worth fighting for, and Airbus Industrie in Europe is studying a version of the airbus for it, while in the U.S. Boeing is seriously thinking of developing a stretched 707, called the 707-500, which could fit this role, using the new Franco-U.S. CFM-56 engine. Such an aircraft could meet the requirements of many airlines round the world, and decisions on the "long-thin" jet seem likely to be taken soon, perhaps this year or next, so that it could be in service by the early 1980s.

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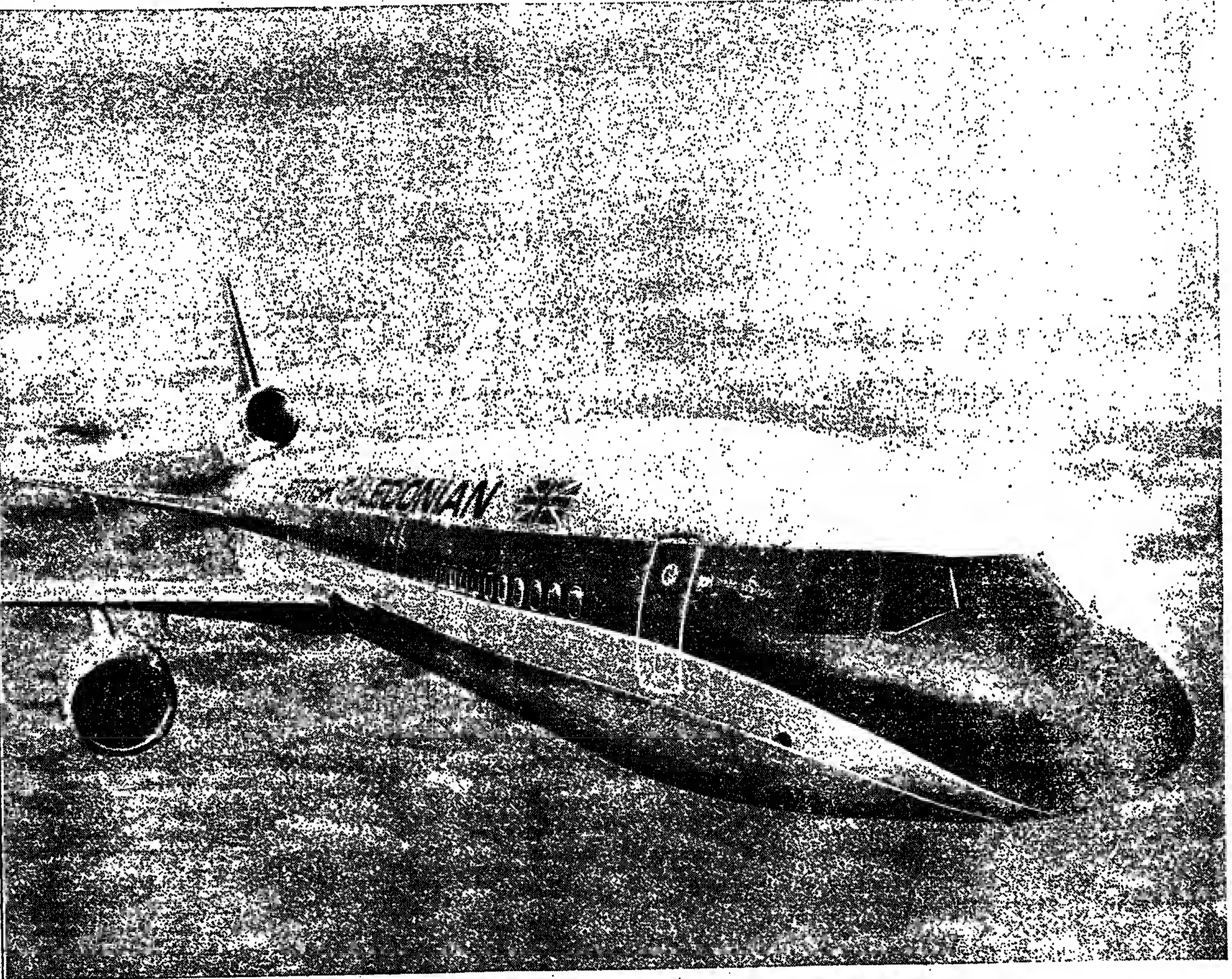

Congestion at the airports

SOME TIME later this year, the Government is expected to publish a White Paper setting out its plans for an "airports strategy" for Britain.

This is expected to outline proposals for diverting some of the anticipated future traffic growth from the sorely-pressed airports in the London region to those in the provinces: to settle whether or not there shall be the "greenfield" (that is, entirely new) development of another airport somewhere in the Midlands and the North; and to say what further provisions will be made in the long-term for the air transport needs of Scotland and the West Country.

More significantly, however, it is expected to say just what the Government feels should be done about the further development of the existing four airports in the London area—Heathrow, Gatwick, Stansted and Luton—and hopefully to settle permanently the still controversial question whether there is any case at all for a new airport in the South-East, despite the decision in 1974 to abandon the Maplin proposal for an airport on reclaimed land off the Essex coast.

The Government, in its efforts to get the maximum public discussion on this highly emotive and controversial topic, has published a number of "consultation papers," setting out the various options as it sees them, and inviting comment from individuals, companies, airlines, local authorities and other interested bodies, in order to gain the maximum possible *information on the* country's attitudes towards airport development.

As was to be expected, a vast mass of documentary evidence has emerged, which is now being distilled. Hopefully, a coherent airports policy may emerge from it. In the meantime, the Government, through the British Airports Authority, has been pressing ahead with the development of some of the main airports, notably Heathrow and Gatwick, in the light of the existing forecasts as to what is likely to happen to air traffic.

All those forecasts suggest that, despite the hiatus in growth caused by the oil crisis and the subsequent industrial recession in late 1973, expansion has resumed in the past year or so, and worldwide air traffic is now moving up at an average annual rate of around 6 to 8 per cent. Although this is lower than the 10 to 12 per cent. experienced in the late 1960s and early 1970s, it is still sufficient to ensure that substantial problems will arise in the 1980s for the air transport industry and the various regulatory authorities if they do not move to improve and expand their systems now.

Document

The first consultative document published by the Government in the airports debate suggested, for example, that passenger traffic at the airports in the London area might reach a total of about 50m. a year by the early 1980s with Heathrow handling about 30m. a year, Gatwick about 16m., Stansted 1m. and Luton 3m.

By the mid 1980s, it suggested that this situation would have moved on to the point where about 58m. passengers a year would be involved, with Heathrow being given a fourth major terminal to enable it to handle 38m. and Gatwick, Luton and Stansted remaining at the 1980 levels.

Beyond this point, further expansion was foreseen, to the point where perhaps 104m. passengers a year might have to be handled by the four airports in 1990. To meet this kind of demand, a range of further new developments would have to be undertaken, including perhaps the development of a fifth major terminal at Heathrow (on the Perry Oaks site to the west of the airport), which would raise Heathrow's capacity to 53m. passengers a year. Other new developments might include a second big terminal at Gatwick, raising that airport's capacity to 25m. a year; the development of Stansted up to a capacity of 16m. (comparable in size to the presently planned growth at Gatwick); and expansion of Luton up to 10m. passengers a year.

Because no one yet knows precisely how traffic demand will develop over the years ahead, or what the Government intends to do about it, the British Airports Authority, which owns Heathrow, Gatwick, Stansted, Prestwick Glasgow (Abbotsinch), Edinburgh, and Aberdeen, has been undertaking its own major programme of works at all of them designed to enable them to cope with the growth expected in the immediate future.

At Heathrow, this has taken the form of a £50m. programme, of which the biggest item has been the extension by London Transport of the Piccadilly Line underground railway into the Central Terminal Area of the airport, linked with the three main passenger terminals by a series of underground subways with moving walkways. The central underground concourse and the subways will become operational around the middle of this year, but the station and the rail link will not become operational until towards the end of this year.

The other developments at Heathrow, which are still taking place, are designed to improve the flows of traffic into and out of the three passenger terminals, with special emphasis being placed on modernisation of the European short-haul terminal (No. 2), and the long-haul international arrivals terminal (No. 3).

All these developments are intended to enable Heathrow to handle about 30m. passengers a year by 1980, compared with the present level of about 23.5m. For the mid to later 1980s, there is the plan to develop a fourth terminal on a site on the south-west side of the airport, which would be capable of handling up to about 8m. passengers a year, thereby raising Heathrow's total capacity to 38m. a year.

But it is not intended to press ahead with all the necessary consultative and planning work for this fourth terminal until much greater use is made of Gatwick, South of London. The BAA is currently nearing completion on a major £70m. development programme at Gatwick, designed to raise that airport's passenger capacity from the present 6m. a year to 16m. Thus, an "expansion chamber" is being created at Gatwick, which is now one of the most modern airports in the country, and a much more congenial place than Heathrow. It is the BAA's hope, and the Government's intention, to see that much greater use is made of this "expansion chamber," before permitting any further developments at Heathrow.

Thus, at some time in the near future, the Government is expected to announce just how it proposes to encourage airlines currently using Heathrow to move some at least of their services to the far less crowded Gatwick. This will be a delicate diplomatic procedure, for the idea of forcing airlines to move is not only unwelcome to the airlines, but also to the Government.

It is recognised that compulsion in the U.K. could lead to repercussions overseas on British airlines. But both the BAA and the Government also recognise that some transfers of operations from Heathrow to Gatwick will have to take place if the growing congestion at Heathrow is to be eased, and Gatwick brought to full utilisation of its capacity. It is possible that various inducements may be offered in the form of cheaper landing fees at Gatwick. But, in the long run, it is hoped that persuasion, coupled with the self-evident truth that Heathrow is becoming for many airlines an increasingly less congenial place to work in, will be sufficient to encourage such moves.

Capacity

In the much longer-term, however, the problem remains of what to do when Heathrow expansion goes beyond the 38m. mark, and Gatwick's own capacity begins to show signs of being filled — a situation that could occur, around say the mid-1980s. Three possible solutions exist. One is to build the fifth terminal at Heathrow, to carry its expansion up to the level of 53m. passengers a year. This would cost perhaps as much as £50m. or even more, and add materially to the surface congestion around the airport. Another is to build a new terminal at Gatwick, to boost that airport's capacity to 25m. passengers a year. The third option is to develop Stansted to a capacity of 16m. passengers a year, and to develop Luton to 5m. capacity and then perhaps to about 10m. passengers a year.

None of these options is pleasant to contemplate. But while it is possible that some part of the anticipated expansion in London and the South-East could be dealt with by diverting traffic of the country, t that for the fore most of the tra to want to come East of England; in particular.

It seems alm therefore, that o these options is to be faced at so 1980s. Because times" involved velopment—it c thing up to sever from the time a ment is conceive the necessary co planning stages ing the years tha up with political fore building a way. It can eve before the buildi is completed and

This means th tween the variou have to be co ahead of the likel terminals invol needed in serv turn means tha ment has the u of trying to set airport policy establishing so fa broad lines of fu that when the de emerge, it will b coherent policy t is why the cons ments were issue Government ha encourage debat ports issue. Eve some time yet be sions are taken.

The White Pa comes, will be on another long pe ment before final be reached. It to many aviation in the forthcoming what to do, air Stansted, which largely escaped t air traffic grow Eastern England, fallen mainly on Gatwick — canno remain unscathed.

Independent operators

OUTPUT BY the U.K. air transport industry as a whole in the past year or so has been improving considerably, following the hiatus in growth caused by the oil crisis and the subsequent economic recession.

Figures issued by the Civil Aviation Authority show that in the year to September last—the latest for which detailed figures are available—the total number of available tonne-*kilometres* provided by the UK airlines (the basic measure of the industry's output) rose by no less than 9.7 per cent. to reach over 9.5bn.

After a persistent rise in output throughout the 1950s, 1960s and early 1970s, the trend was halted abruptly in 1974, when in the wake of the oil crisis of late 1973 output fell back from the 9bn. tonne-kilometres of that year to just under 8.3bn. The recovery began in 1975, when output amounted to just over 8.9bn. tonne-kilometres, and the result for the year to last September now shows that the UK airline industry has more than made good the shortfall and is in fact now more productive than it was at the time of the oil crisis.

This recovery has been spread over both the scheduled and the non-scheduled airlines. The scheduled airlines, which include British Airways and the independent British Caledonian, together with some scheduled operations by such other independent carriers as British Midland, British Island, British Island Airways, British Air Ferries and Dan-Air Services together with a large number of smaller operators, collectively produced over 6.45bn. tonne-kilometres in the year to last September, a rise of 8.9 per cent. over the previous year, with the non-scheduled operators doing rather better, showing an 11.4 per cent. improvement to just over 3bn. tonne-kilometres.

While the CAA divides the industry's overall output into scheduled and non-scheduled operations, there is another major division, between State-owned and independent or private sector operations. At one time, it would have been possible to suggest that the two divisions were broadly compatible, and that the bulk of the non-scheduled operations were also those conducted by the independents.

To-day, this is not so. There has been a substantial growth in recent years in non-scheduled activities by British Airways, mainly through its inclusive-tour and charter subsidiary, British Airtours, while many of the private-sector airlines, large and small, have also moved into the scheduled service area.

The four biggest independent airlines involved in scheduled-service flying are British Caledonian Airways, British Island Airways, British Midland, and Dan-Air Services, but others include Air Anglia, Aurigny Air Services, British Air Ferries, Brymon Airways, Intra Airways and Loganair.

In addition to these there are more than 20 other independent operators listed by the CAA as being engaged in passenger or cargo tranport. Some of these are specialist operators. Bristow Helicopters, for example, has no fixed-wing services, but is exclusively devoted to rotary-wing operations, both domestically with a big business in support of the North Sea oil and gas industry, and overseas in many different parts of the world, carrying both passengers and freight, and involved in such diverse tasks as aerial agriculture, lighthouse relief, geological surveying, aerial mapping and so on. With a fleet of over 30 helicopters, including 19 of the big Sikorsky S61N turbine-powered aircraft, Bristow is one of the biggest civil helicopter operators in the world, larger even than the British Airways' offshoot, BA Helicopters.

A significant contribution to the overall U.K. air transport effort is made by the large independents devoted entirely to the holiday and passenger charter business, such as Britannia Airways (part of the Thomson Group) which, with a fleet of 14 Boeing 737s (now being increased), is one of the biggest airlines in the U.K.

Charter

Laker Airways, with a mixed fleet of One-Eleven short-haul jets, long-haul Boeing 707s and now also three DC-10 tri-jets, with another DC-10 due for delivery this spring, is also currently devoted to the inclusive-tour and charter business, but is also on the verge of breaking into long-haul scheduled-service operations with its plans for the low-fare, no-reservations Skytrain flights across the North Atlantic between Stansted and New York. After its long legal battle with the Government over the rights to the service, Laker finally won earlier this year when the Department of Trade reversed its original objections and pledged itself to support Skytrain, and it is now a question of when the U.S. will grant the necessary reciprocal permit to enable flights to begin. Laker remains optimistic that services can begin this spring or early summer.

A number of private-sector operators have also specialised exclusively in the air cargo business — notably IAS Cargo Airlines, with Britannias and DC-8 jets, and Tradewinds and Trans-Meridan Air Cargo, both with swing-tail CL-44 turbo-props, while Air-Bridge Carriers uses Argosy and Viscount aircraft. But many other operators also carry cargo. British Airways is a big cargo operator, both domestically and internationally, as is British Caledonian, while most of the independents uplift freight in one form or another in addition to their passenger services.

In addition to these airlines, there are the large number of smaller private-sector air transport operators, specialising in the "air-taxi" or general aviation field, who provide a growing and now indispensable support operation for their bigger scheduled and non-scheduled colleagues. There are 49 members of the Air Taxi Operators Association who between them last year flew 15½m. miles and carried 380,000 passengers. Between them they also own over 200 aircraft. These smaller operators, often equipped with executive jets such as the HS-125, although some also use helicopters, have many advantages over their larger colleagues in the air transport industry. They have a much greater flexibility of operation, and are available almost at a moment's notice, especially for businessmen in a hurry.

The independent operators together collectively own a fleet of 298 aircraft (as at end-September), representing more than half the total British-register airline fleet of 502, and collectively involving an investment estimated at more than £100m. Including property and other assets, it is estimated that the total investment in the private sector of British civil aviation is now running at over £150m., a figure which is likely to be substantially increased as re-equipment with new jets gets under way.

As to the profitability of the private-sector operators, the latest available figures from the CAA suggest that in 1974—the last full year for which financial returns are calculated—there was a collective profit for all the independents amounting to £1.1m. before tax, based on an operating profit of £6.5m. The latter in turn was earned on collective operating revenues of £240m., after expenses of £233.5m.

Estimates prepared by the CAA suggest, however, that this profit figure may have improved in 1975, when all the U.K. airlines, scheduled and non-scheduled, earned a collective operating profit of £16.5m., with a further improvement likely in 1976 as the recovery from the recession gathered momentum. These figures, although far from dramatic, do tend to show that the private sector airlines are making a significant contribution to the economy, although they also indicate that there is clearly considerable scope for improvement in their financial performances.

Rumours of market curbs push lead prices lower

BY JOHN EDWARDS, COMMODITIES EDITOR

LEAD PRICES fell sharply on the London Metal Exchange yesterday after heavy aelling hy speclators made nervous hy continuing rumours that the Bank of England was planning moves to curb non-trade activity in the market.

Cash lead closed £18.25 lower at £405.5 a tonne, wiping out last week's gains. Similar nervousness brought lossea in cash tin, down £105 to £5,985 a tonne, followiog Friday's fall of £140. Cash zinc ended £6.5 lower at £416 a tonne.

Copper values held steady, however. Cash wirebars closed marginally higher, boosted by the situation in Zaire and the U.S. producer price increases announced on Friday afternoon.

Trading in the lead macket was very active as there was continued liquidation of previous purchases. This in turn triggered *further stop-loss selling.*

Increased offerings of scrap in the U.S. and the U.K. belped the *downward trend. But the market* steadied at the lower level with some *trade* buying interest bringing a alight recovery on the late kerb where prices ended near the opening *levels.*

A speculativa shakeont also pushed tin valuea down sharply *before rallying in late dealings.* A fall in the Penang market at the week-end, with the Straits price down $M42 to !M1,578 a picul, set the casier tone.

It became apparent in later *trading* that *there* was a resistance level at £6,100 for three months tin. After dipping to £6,070 at one stage the market rallied with three months closing at £6,142.5 a tonne, £97.5 down.

Coppec was the steadiest market, reflecting the smaller percentage of speculation and tbe firmer undertone. Althougb the situation in Zaire is not thought likely to result in a serious aetback in supplies available, in view of the large surplus stocks in the LME warehouses alone, there is concern abont the possible general political upheaval as a whole in southern Africa, a major copper producing area.

At the aame time sentiment in the copper market is bullish, with the belief that prices are unlikely to fall mnch in view of the threal of a possible U.S. copper workers' strike when the main labour contracts expire on June 30.

LME warehouse stock movements were in line with market forecasts. Copper stocks fell for the third week in succession 275 tonnes to a total of 615,225 tonnes. Tin stocks rose 295 to 7,360 tonoes; lead 75 to 7,360 tonnes and zinc 1,400 to 82,450 tonnes. LME silver holdings were unchanged at 26,830,000 ounces.

● Phelps Dodge said it was raising the price of whole plate electrolytic copper cathodes by 3 cents to 74 cents a pound. This follows similar increases by other major producers announced on Friday.

U.K. meat prospects bleak

BY PETER BULLEN

ANOTHER BLEAK forecast foc Britain's meat indnstry is made hy the Meat and Livestock Commission in its apring quarterly market survey.

With aupplies cnt, prices remaining high and consumers' disposable fncomes falling, the reduction in meat consumption in the past few montha is expected to continue. Coaumption of all meat and meat prodncts fell by 5 per cent. in the last quarter of *last year*, due *mainly* to an 18 per cent. fall in the quantity of heef and veal eaten.

But the long-term prospects for Britain's heef supplies are hrighter. "After two years of decline the cattle breeding herd has begun to expand again." Although the breeding berd is expanding it will not be until 1979 that home produced beef supplies will tmprove. In the meantime production is expected to fall from 1.03m. tons last year to 930,000 tens this year and only about 900,000 tons next year."

The report is particularly pessimistic about plg producers' prospects. They face a very difficult six months with profits unlikely to improve much before next autumn.

"Even with the Government's special snbsidy of 5.5p a kg. average returns to producers in mid-February, at 72p a kg. deadweight, were barely 2.5p a kg. (or 4 per cent.) more than a year earlier. Yet feed prices were over 35 per cent. higher."

Until about June pig prices, exclusiva of any subsidy, are expected to remain about the same as, or slightly lower than, a year ago. Snmmer conditions as usual will affect demand but prices aboulд strengthen from about September, wben the usual seasonal improvement in demand will coincide with lower supplies *than last year.*

"The outlook for pig production therefore continues to be poor, particularly as feed prices may sbow some further increase. The low profitability is almost certainly leading to increased sow slaughterings and it is possible that by next June the U.K. pig breeding herd may fall to abont 835,000 sows, 6 per cent. down on June 1976.

"Although this decline may come to an end later in the year, it is unlikely there will be any increase again before abont mid-1978 at the earliest."

Pig producers on the Continent were also suffering from low profits which were not expected to improve substantially before the last quarter of this year.

The MLC say the number of ewe lambs retained for hreeding was 10 per cent. higher in December, indicating a probable expansion of abont 2 per cent. in the breeding flock this year. Lambing rates were likely to fall below lasr year's record leval, and allowing for a further increase in the rate of ewe lamhs kept back for breeding, total slaughterings were expected to be abont 4 per cent. lower than last year's. Next year output sbould be up to 1976 levels again bowever.

Anglo-German energy watch on the Rhine

ABOUT 160 prominent people in Britain and West German politics, universities, trade unions, industry and journalism will exchange ideas on the theme "Europe without energy?" at this year's Konigswinter conference.

The three-day conference, opening on Friday at Konigswinter on the Rhine, will discuss Europe's role in East-West relations, devlopment of the European Commnnity, future energy sources (including the controversial nnclear option) and the role of pressure groups in domestic politics.

Indian tea export move postponed

CALCUTTA, March 21.

THE MOVE to regulate tea exports to incease domestic supplies has been postponed until the new central Government, which will be installed soon, settles down to its tasks and studies the matter from all aspects.

Mr. T. S. Broca, the Tea Board chief, said tea stocks in the country were adequate and the increases in prices were merely a reflection of the strong *international* demand for the commodity.

The first flush tea which will come to the market in three to four weeks wonld be the normal 40m. kilos or so which comes every year and ought to have some impact on the prices at home.

The Indian Tea Association chairman, however, thinks that not until the second flush arrives about August will domestic tea prices come down appreciably. He feels a more effective way of bringing down tea prices would be to abolish the excise duty on packet tea since the domestic prices for the loose and packet teas are now more or less the same.

The ITA chairman said any move to curb exports would be wrong. It had taken years of effort to maintain India's markets abroad and any dislocation could be damaging in the long run. India has been exporting an essential food item like sugar at the cost of the domestic consumer for the simple reason that the country needed foreign exchange.

The Tea Board chairman thinks the lodustry can raise outpnt in the short run by making adequate investment in irrigation and drainage facilities.

Coffee surge continues

By Richard Mooney

COFFEE PRICES climbed to new peaks yesterday despite the quietest physical trading foc weeks. Futures positions made modest gains during the first two bours of dealings and held that level for the rest of the day. At the close May coffee was £59.5 higher at £4,232 a tonne.

Dealers said the market *was* largely featureless and attributed the rise mainly to lack of selling interest.

The cocoa futures market also had a quiet day. Values regained an early £40 permissible limit loss but then drifted to end near the day's lows. May cocoa closed £34 down on balance at £2,672.5 a tonne.

EEC FARM TALKS

Election threat to price review

BY ROBIN REEVES

BRUSSELS, March 21.

SPECULATION is already mounting in Brussels that a decision on this year's EEC farm prices may be postponed if the U.K. Government is defeated in Wednesday's Commons vote of confideoce.

Agriculture Ministers of the Nine are due to meet here on Friday foc what is hoped will be the final round of negotiations stretching over the week-end and perhaps into next week.

But in the event of a Government defeat and the calling of a General Election most observers recognise it would be surprising if Mr. John Silkin, the U.K. Minister of Agriculture, pressed ahead with the negotiations.

There is already a suspicion among other *EEC Farm* ministers that Mr. Silkin, in his strategic position as chairman of the council, will not give the negotiations that extra push required to reach agreement. Failure to agree at the week-end would amount to the freeze on common farm prices increases—at least for another month—which Britain is demanding.

But the triggering of a General Election would provide Mr. Silkin with a cast-iron excuse for calling off the negotiations—unless other EEC ministera were willing to meet all Britain's demands, which they are not.

Mr. Silkin would have as precedent, the example of Mr. Joseph Godber, Minister of Agriculture in the Heath Administration, who told his EEC ministerial colleagues be was no longec in a position to negotiate after the calling of the February 1974 election.

On that occasion M. Jacques Chirac, the then French Gaullist Agriculture Minister who later became Prime Minister, said it was normal for political solidarity to be exercised in such circumstances.

In the event, when Agriculture Ministers resumed the negotiations they were confronted by a new British Minister, Mr. Fred Peart, and a list of the Labour *Government's renegotiation* demands.

But for the present the time table *still* stands. To-morrow, the European Parliament meets for a special two-day debate on the Commission's price proposals.

MPs have before them the conclusion of the Parliament'a agriculture committee, recommending an average 5 per cent. rise in farm prices rather than the 3 per cent. *called* for by the Brussels Commission. In addition, the committee is recommending a full devaluation in the Irish "Green Pound" to remove the financial charges on Irish farm exports to the Continent.

Mr. Silkin will be attending the Parliament to speak in the debate on behalf of the Council of Ministers. He is expected to emphasise last week's lobbyiog of the farm price negotiations by consumer representatives.

MPs are also due to debate the Commission's plan for the automatic adjustment in green currency rates and perhaps the motion of censure against the Commission for its haodling of the controversial surplus butter exports to the Soviet Union. This has been tabled by European Progressive Democrats, the Parliament's coalition of Gaullist and Irish Fianna Fail MPs.

Were the censure motion to gain a two-thirds majority of the Parliament, Mr. Roy Jenkins and his 12 Brussels Commission colleagues would be automatically dismissed. Such an outcome is viewed as unlikely.

The Executive Bureau of the Parliament is due to meet *to-morrow* morning to decide whether to press ahead with the censure motion or postpone it until next month. Since the motion has gathered little support from other groups nobody would be surprised if it was quietly dropped.

Boost for Australian cheese

CANBERRRA, March 21.

BECAUSE OF THE growing popularity of cheese in the Japanese diet Japan bas emerged as Australia's largest market for dairy products, as well as minerals.

The same emphasis on higher protein diet has lifted Japan to second place among Australia's buyers of meat (behind the U.S.), despite restrictions on imports to protect local producers.

According to the latest *statistics Australian cheese sales* to Japan in tha December half-year totalled 13m. kilos worth $A11m. (about £7m.). In the second half of 1975, the figures were 8.5m. kilos worth $A7.8m. (£5m.).

Well over 90 per cent. of the sales are of refrigerated cheddar and gouda types of cheese (the change in dietary habits has also brought a useful addition to sales of (mostly dried) milk and cream—$A6m. in the December half-year—and butter—$A1m.

The post-war encouragement of higher protein intake has seen per capita cheese consumption rise from a mere 57 grams in 1960 to more than 600 grams last year with Japanese authorities forecasting a further rise to at least 730 grams by 1980.

Japan imported 83 per cent. of its cheese requirements last year, 40 per cent. from Australia.

Short-term prospects for a further opening up of the Japanese beef market to Australia are still uncertain because of political sensitivities within Japan, but Australian producers are forecasting that Egypt, following a big purchase last week, could emerge as a market just as important as Japan.

An Australian producers consortium headed by Norwest Beef Industries (equally owned by Hooker Corporation and Project Development Corporation) made the Egyptian sale for about 8,800 tonnes of medium quality beef worth about $A13.5m. (about £8.6m.).

Uruguay is traditionally the major beef supplier to Egypt, but in the latest contract competition, for a total of 15,000 tonnes, it won the lesser share against Australian producers.

The Australian industry was encouraged by the fact that the quantity put to tender was larger than usual and, particnlarly, that the Egyptians were prepared to accept honeless beef despite past preferences, which suits Australian production techniques.

Reuter

Soviet plan to increase grain stores

WASHINGTON, March 21.

THE SOVIET UNION plans to increase its grain storage capacity in the current five year plan ending 1980 by about 30m. tonnes, the U.S. Agriculture Department (USDA) said.

An article in its weekly magazine "Foreign Agriculture" by Keith Severin, who was a member of a U.S. Government industry team touring the Soviet Union last October to study the grain storage aystem, said total grain storage capacity is presently ahout 250m. tonnes.

It is made up of about 100m. tonnes in on-farm storage facilities and about 140m. tonnes off-farm. The remainder is presumed to be on Soviet State and collective farms and interfarm enterprises.

The Soviet Union planned to increase grain storage capacity last year by 4.8m. tonnes, but that goal was not met, partly because of shortages of building materials and reinforced concrete.

It noted the final construction figure for the year as published by the USSR was 4.3m. tonnes.

It said because of the large crop last year Soviet officials believed truck dumping and drying capacity should take priority over increasing storage space: a view shared by the U.S. team. The article noted the ideal periods for grain growing and harvesting in the USSR are quite short.

Truck dumps and grain cleaning and drying equipment are important complements to grain storage facilities, because they affect the speed at which grain can be received and conditioned prior to storage.

Reuter

U.S. options trading proposals soon

WASHINGTON, March 21.

THE COMMODITY Futures Trading Commission is expected to approve at its Thursday meeting here proposed rules foc the new U.S. commodity options market to open in August, CFTC officials said.

Specific commodities will not be mentioned in the proposals.

It will be up to the exchanges to study the rules and then apply to the Commission if they think they qualify to start trading in options.

A lengthy comment period is expected to be set by the commissioners once the proposals are published in the Federal Register, but as yet no public hearings have been scheduled.

Reuter

Terminal now EEC office of departure

The Sutton International Freight Terminal, Sutton-in-Ashfield, Notts., has been approved as an official office of departuce within the EEC.

To date, the terminal has been mainly concerned with import clearance, but from April 4 full Community Transit procedure can be carried out for exports.

All documentation previously dealt with at the sea port of departure will now be processed by H. M. Customs and Excise within the terminal. Vehicles leaving for export will be sealed before departure.

Exporters need no longer fear their goods will be delayed or impounded at distant ports, which invariably follows documentary failings.

COMMODITY MARKET REPORTS AND PRICES

METALS

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	5990-5	—220	5980-90	—105
3 months	6145-55	—217½	6140-5	—97.5
Settlem't	5995	—220	—	.....
Standard				
Cash	5990-5	—220	5980-90	—105
3 months	6145-55	—217½	6140-5	—97.5
Settlem't	5995	—220	—	.....
Straits E.	181572	—42	—	.....
New York	—		484-495	.....

...dex 01-351 3466 3 months Tin 6104-6166

SILVER

COCOA

JUTE

COFFEE

RUBBER

SOYABEAN MEAL

GRAINS

SUGAR

WOOL FUTURES

MEAT/VEGETABLES

COPRA, Philippines—April to June $575 resellers a tonne cif North European ports.

PRICE CHANGES

Prices per ton unless otherwise stated.

PALM OIL

LONDON PALM OIL—The market was fully steady. Closing levels were up about £10 from Friday's close. All edible vegetable oils were firm, with Chicago Soyabean oil again firm at the London close, reports Sime Darby. Close: April 400-370, June 385-391, August 3804-375, Oct. 375-381, Dec. 383-391, Feb. 384-381, April 385-380. Sales: 5 lots.

STOCK EXCHANGE REPORT

Widespread setback ahead of to-morrow's crisis vote

Index down 14.1 at 414.4 and Gilt falls range to £1¼

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Feb. 28	Mar. 10	Mar. 11	Mar. 22
Mar. 14	Mar. 24	Mar. 25	Apr. 5
Mar. 28	Apr. 6	Apr. 7	Apr. 20

* "New time" dealings may take place from 9.30 a.m. two business days earlier.

The profit-taking which developed last Friday on political uncertainties continued in stock markets yesterday following week-end Press comment pointing to the possibility of an early General Election after to-morrow's crisis vote in the House of Commons. Jobbers lowered prices at the outset in the expectation of selling which duly occurred. Offerings, however, were usually for small amounts of stock and prices held steady at the lower levels once the early bout of selling had been cleared. The tone remained extremely sensitive throughout the day in the absence of buying of any size, while sentiment was further undermined in the afternoon by the threat of a national dock strike.

Early pressure on sterling led to fears that the recent downtrend in interest rates would be halted and resulted in sharp losses in British Funds; quotations were steadier in the late trade, but closing falls ranged to a full point and occasionally more. These clipped 0.40 off the recent strong rise in the Government Securities index which ended at 69.09.

Down 9.8 at 10 a.m., the FT Industrial Ordinary share index was 13 points off an hour later and showed little variation thereafter until shading late to close 14.1 down at the day's lowest of 414.4. This was its biggest single day's fall since the poor January trade figures took more than 15 points off the index on February 14. Leading issues closed at, or near, the day's lowest with falls ranging to 10 and sometimes more, but ICI rallied well late to end only 5 off at 353p, after 346p. Losses in some of the recent speculative issues were more substantial with Shipbuilding naturally prone to the political doubts because of the possibility of further delay in compensation payments for nationalisation; Indian Teas were also prominent in the downturn following Mrs. Gandhi's election defeat. Overall, falls led rises in FT-quoted equities by 13-to-2. The FT-Actuaries three main indices showed losses ranging to 2.4 per cent., the All-Share being that much down at 174.83. Firm features were few and far between, were usually small and chiefly reflected company trading statements and speculative buying on Press comment and/or bid hopes. South African Golds made further small headway on the higher bullion price with the Gold Mines index hardening 0.9 to 139.4 for an advance of 10.6, or over 8 per cent., in the last five trading days.

Gilts react sharply

The uncertain political outlook with its resultant effect on sterling yesterday prompted some holders of Gilt-edged to go partly liquid and await any re-investment opportunities that may occur after to-morrow's "no confidence" vote in Parliament. In the face of the selling, dealers took defensive action and very quickly surrendered all the ground gained late on Friday in response to the unique long tap issue, the first to be issued on instalment terms for many years. Shorter maturities were additionally unsettled by the obscured prospect of a further fall in Minimum Lending Rate and, although steadier at the lower levels, still lost a point. The mediums sustained the heaviest losses, which extended to 1¼ points in the case of Treasury 12 per cent., 1983, at 104¾, while longer-dated issues were often a point easier, usually among high-coupon stocks. Corporations were not too badly affected with the exception of recently-issued stocks such as GLC 13½ per cent., 1984, down ¾ at £12¾ in £10-paid form. Corporation of London 13½ per cent., 1983, fell similarly to £52¾ in £50-paid form, while Finance For Industry gave up 1½ points at £42¾ (£40-paid).

Institutional demand was included in a moderate late interest which, in a thin market, took the investment premium up from an initially lower rate of 109¾ per cent. to 113 per cent. before a close of 112½ per cent., a rise of 2½ points on the day. Yesterday's S.E. conversion factor was 0.7129 (0.7178).

Insurances dull

A fair amount of stock came on offer in Insurances and prices dipped sharply. Brokers, a firm sector of late in recognition of their substantial overseas earnings potential, paraded sizeable losses. Also helped recently by speculative buying on bid hopes, C. E. Heath fell 22 to 538p, after 535p. Otherwise, Matthews Wrightson lost 11 to 237p and Sedgwick Forbes 10 to 280p. Composites lost ground with Sun Alliance (results due April 6) 20 down at 448p and Royals 16 easier at 324p. General Accident cheapened 6 to 185p ahead of to-morrow's results, while similar losses were seen in Eagle Star, 122p, and Phoenix, 222p.

The big four Banks succumbed to the surrounding easiness, but selling here was light. Midland declined 10 to 280p and National Westminster shed 3 to 230p as did Barclays to 280p but Lloyds were only 5 off at 210p. A firm market last week on hopes of exemption from dividend controls, Standard Chartered turned back 12 to 330p. Discounts eased in sympathy with gilts; Allen Harvey and Ross, 410p, and Cater Ryder, 255p, both reacted 10, while Union were 7 lower at 345p.

Breweries were easier throughout with Allied 2½ down at 68p. Distillers fell 5 to 133p, while losses of 3 were seen in Invergordon, 42p, and Tomatin, 62p.

Against a dull backcloth in Buildings, Shellabear Price were marked up 6 to 43p on news of the cash bid worth 45p per share from Biwater, an unquoted water treatment plant concern. The increased stake taken in Hoveringham by George Wimpey aroused enthusiasm for the former which added a similar amount to 48p, while F. J. C. Lilley hardened 3 to 45p ahead of to-morrow's preliminary results. A.P. Cement, on the other hand, lost 5 to 187p in front of to-day's annual figures. London Brick closed 3 easier at 50p. Marchwiel fell 11 to 156p and losses of 8 and 10 respectively were recorded in Taylor Woodrow, 294p, and International Paint, 430p. Weak last week on the Department of Trade investigation into the company's affairs, Norwest Holst slipped 2 more to 60p.

ICI were sold down to 346p before a late rally left the price 5 cheaper on the day at 353p. Elsewhere in Chemicals, Yorkshire fell back 6 more to 130p on further consideration of the disappointing results and Allied Colloids also gave up 6 to 158p as did recent speculative favourite, Revertex to 87p; the results of the last-named are expected early next month.

GEC on offer

Leading Electricals closed a penny or so above the worst. GEC met with further selling and fell to 177p before closing 7 off on the day at 179p, but the Floating Capital Notes rose ¼ to £99¼. EMI were also on offer at 216p, down 6, after 215p, while similar falls were seen in Reyrolle, 142p, BICC, 105p, and Thorn Electrical, 284p. Plessey, however, held up reasonably well, at 66p, down only 2. MK Electric were lowered 6 to 124p along with Newman Industries, 61p, and Muirhead, 153p. BSR encountered nervous offering and reacted to 118p, before rallying to close only 3 cheaper at 121p. Ever Ready gave up 4 at 152p.

The Store leaders rarely recovered from early selling and generally closed at the day's lowest. Gussies A fell 9 to 214p and British Home shed 6 to 179p as did W. H. Smith A, to 404p. Debenhams relinquished 4 to 79p, while Mothercare too were 4 lower at 252p and Marks and Spencer 3 cheaper at 112p, after 111p. UDS gave up 2 to 68p despite favourable Press comment. Mail Orders, however, were bolstered by week-end mention, Freemans and Empire both adding a penny at 172p and 96p, respectively. Shoes were notable for a Press-inspired gain of 3 to a 1976/77 high of 52p in Booth International.

Nervous selling induced by increasing concern that to-morrow's vote of no confidence in the Government could delay compensation payments brought about a further sharp relapse in Shipbuilding and Aircraft concerns. R. and W. Hawthorn Leslie dropped 12 to 48p, while falls of between 7 and 9 were recorded in Yarrow, 204p, Swan Hunter, 82p, and Robb Caledon, 71p. Hawker shed 15 to 512p and Vickers were 6 down at 170p. Vosper, on the other hand, held up well and, after touching 88p, rallied to 92p before closing unaltered at 90p. Elsewhere, Tubes gave up 12 to 384p and GKN eased 7 to 328p, while John Brown were 5 lower at 166p. Secondary Engineerings displayed widespread losses including a fall of 8 to 106p in Rotork and a decline of 5 to 189p in Davy International. Herbert Morris also gave up 5, to 186p; the offer from Babcock and Wilcox (a penny easier at 76p) closes to-day. Recent speculative favourite Tecalemit receded 4 to 78p, while similar losses were recorded in Pegler-Hattersley, 180p, and Sheepbridge, 70p, while Ransomes Sims and Jefferies lost 5 to 113p. A firm market last week on buying ahead of Thursday's results, Wolf Electric Tools shaded 3 to 97p, and, in front of to-day's preliminary figures, Bronx eased 2 to 31p. By way of contrast, Press comment on the chairman's statement and remarks about the group's recovery potential drew buyers' attention to Tace which advanced 3½ to 15½p.

Cavenham returned to the spotlight in Foods, closing 12 higher at 132p after a good turnover which was prompted by week-end Press comment on the possibility of the parent, Generale Occidentale, making a fresh attempt to acquire the outstanding minority interest. Jameson's Chocolates responded to the sharply increased profits with a rise of 5 to 41p, while higher interim figures lifted Harry Vincent 4 to 80p. Other Foods were generally easier where changed. Tate and Lyle finished 6 off at 266p, while J. Lyons, 78p, and Rowntree Mackintosh, 218p, shed 3 and 4 respectively. J. Bibby ended 3 cheaper at 118p, despite the expansion plans. Supermarkets moved lower with Lennons ending 2 off at 31p and Tesco 1½ easier at 38½p. Hotels and Caterers had dull spots in Grand Metropolitan, 3 down at 72p, and Trust Houses Forte, which fell 7 to 142p.

Glaxo fall

Miscellaneous Industrial leaders edged away from the lowest levels. Glaxo touched 480p before settling at 482p, down 11p, while Bowater dipped 10 to 190p and Unilever a similar amount to 464p. Beecham were 9 cheaper at 425p but more modest losses of 5 were seen in both Pilkington, 328p, and Boots, 155p. Elsewhere, IC Gas were noteworthy for a fall of 13 to 377p, while De La Rue, a good market of late, came on offer and fell to 337p, before recovering to close 5 off on balance at 345p. Dunbee Combex reacted 6 to 232p and falls of 5 were recorded in Royal Worcester, 117p, and Caplan Profile, 50p. A. Gallenkamp were 4 cheaper at 182p; the interim results are due on Thursday. Johnson Matthey lost 6 to 394p and Rbt. McBride 4 to 198p, but Low and Bonar responded to the results with a gain of 2 to to 156p, while favourable week-end Press mention left Halma Investments 3 to the goods at 22p, after 24p. The increased interim dividend and profits failed to help Photopia, which cheapened 1 to 26p. Following the bid denial by British and Commonwealth, European Ferries eased 2½ to 68½p.

Despite the return to work at British Leyland, Motors and Distributors shared in the general malaise. Rolls-Royce were finally a penny off at 76p, after 78½p, although the preliminary figures were better than expected, while Dunlop, 97p, and Lucas Industries, 242p, lost 6 and 7, respectively. Clayton Dewandre shaded 3 to 83p, while numerous falls of 2 included Lex Service, 52p, Houchin, 98p, and Hartwells, 54p. Brown Bros. finished ¾ easier at 12¾p, but small buying in a thin market raised Pride and Clarke 16 to 150p.

North Sea oil favourites Associated Newspapers, 176p, and Thomson Organisation, 453p, provided the main casualties in Newspaper, both with falls of 12. Elsewhere, News International lost 4 to 168p and United 6 to 200p.

BP sold

Reflecting last Friday's setback on Wall Street, British Petroleum opened lower and fell away further to 830p before staging a slight rally to close 32p down on balance at 836p. Shell fell 10 to 498p and Ultramar weakened afresh, closing a similar amount lower at 146p. Lasmo were sold at 300p, down 15, while Attock, following the Indian election result, were particularly weak at 85p, down 13. Tricentrol lost 6 to 124p.

Properties encountered a fair amount of selling. Among the leaders Land Securities stood out with a loss of 5 at 164p, while English gave up 2 to 44½p and MEPC cheapened similarly to 81p. British Land eased 1½ to 33½p and Hammerson 'A' gave up 7 to 390p in a restricted market. R. Smiley, a recent speculative favourite, lost 6 to 143p, while Churchbury, 183p, and Mucklow, 140p, fell 4 and 5 respectively. R. Green slipped ½ to 16p following the lower half-yearly profits.

Overseas Traders suffered a reverse after recent firmness on the Inchcape dividend ruling. Inchcape were 7 cheaper at 383p following news of the increased $35m. Eurodollar loan, convertible at 385p, while similar losses were seen in S. and W. Berisford, 176p, and Gill and Duffus, 189p. Booker McConnell, results to-morrow, were also 7 down, at 139p. Other casualties included Ocean Wilsons 5 off at 189p and Harrisons and Crosfield 37 cheaper at 550p.

Interest in Investment Trusts was mainly concentrated on the Estates House/Commercial Union bid situation. Estates House, at 264p, gave up 5 of Friday's gain of 7, while bidders Commercial Union reacted 5 to 119p. Trust and Agency of Australasia continued firmly, rising 6 to 136p in response to Press comment on the substantial Estates House shareholding. Press comment also helped SPR Investments, 3 up at 100p. Other issues were easier on small public selling and the absence of further support. Philip Hill receded 3 to 149p, while losses of 3½ were seen in Alliance, 179½p, and British Investment, 122p. Bucknall Trust were suspended, at 21½p, on the company's request pending reorganisation; the offer from Bremar Holdings has now closed. Financials also had an easier bias. Yule Catto, at 58p, lost 5 of Friday's rise of 11; the preliminary results are expected on Thursday.

Apart from Turnbull Scott "A", 45 higher at 295p in response to Press comment on its assets position, Shippings drifted gently lower in quiet trading. P & O Deferred fell 5 to 138p, while Furness Withy, 238p, and British and Commonwealth, 258p, shed 2 apiece. Ocean Transport reacted 3½ to 159p and Walter Runciman declined 6 to 118p.

Textiles contributed its share of dull counters in Courtaulds, which declined 5 to 117p, and Carrington Viyella, 2 down at 30½p. Nottingham Manufacturing also lost 2 to 81p. Coats Patons eased 1½ to 70½p and Bulmer and Lumb 2 to 37p.

Tobaccos finished with modest falls following a quiet trade. Imps gave up 1½ at 71p and BAT Industries 5 at 265p.

Consolidated Plantations became lively in Rubbers following Press comment, but following an evenly balanced trade, the Ordinary and Warrants closed unaltered at 93p and 35p respectively after being 4 to 5 pence better. Guthrie were notably dull at 203p, down 7.

Dull for most of the day on small selling prompted by concern over the Indian political situation, Teas staged a modest rally late on reports of still rising tea prices at auction. Assam Investments fell 8 to 80p, while Warren, 148p, and McLeod Russel, 200p, lost 10 and 15 respectively. Empire Plantations shed 2 to 9p.

Golds disappoint

Although the bullion price moved comfortably through the $150 per ounce level to close $2 higher at $151.875 per ounce, its highest point since September 5, 1975, shares of the metal's producers put on a disappointing performance, reflecting nervousness over the forthcoming South African budget on March 30.

The share market opened on a quiet note and, although there was some modest buying interest in morning trading, afternoon dealings were subdued.

Gains in the heavyweights ranged up to ¼ as in St. Helena and Western Holdings at £11 and £15½, respectively, while in the lower-priced stocks Harmony put on 10 to 380p.

These rises, however, also reflected the late firmness of the investment currency premium. The Gold Mines index, although only 0.9 higher at 139.4, was at its best level since November 23, 1976.

Financials presented a mixed appearance. The London registered issues reflected the weakness of the U.K. Industrial market with Selection Trust 15 lower at 485p, Charter 9 down at 140p and Gold Fields, despite the improved bullion price, 7 off at 180p. RTZ gave up 4 at 223p.

South African ... however, were ... further strength ... Wits, were ...

Push-button ambulance service

BRITAIN'S FIRST ... ambulance control ... fully operational ... It is an important ... local authorities' ... metropolitan ... serving 1,700,000 ... signal ... ambulances, ... some 70 hospitals ... by direct communication ... Divisional ... Tom Saint, in ... centre, used to ... for lights in the ... police stations he ... advise him there ...

FINANCIAL TIMES STOCK INDICES

	Mar. 21	Mar. 18	Mar. 17	Mar. 16	Mar. 15	
Government Secs.	69.09	69.49	69.26	68.42	68.[illegible]	
Fixed Interest	67.69	67.94	67.85	67.54	67.[illegible]	
Industrial Ordinary	414.4	428.5	433.8	428.0	427	
Gold Mines	139.4	138.5	134.1	135.0	129	
Ord. Div. Yield	5.35	5.10	5.15	5.19	[illegible]	
Earnings Y'ld % (full)	16.64	16.35	16.72	15.91	15.5[illegible]	
P/E Ratio (net) (*)	8.70	8.97	9.94	9.04	[illegible]	
Dealings marked	7,365	9,040	7,466	9,201	[illegible]	
Equity turnover £m.	—	75.30	99.37	80.27	105	
Equity bargains total	—	18,508	18,196	19,959	24,8[illegible]	

10 a.m. 418.7. 11 a.m. 415.3. Noon 415.2. 1 p.m. ... 2 p.m. 415.7. 3 p.m. 415.1.

Latest Index 01-246 8026.

* Based on 52 per cent. corporation tax. ... Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1976/77 High	1976/77 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	69.49 (18/3/77)	55.88 (27/10)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	67.94 (18/3/77)	56.37 (28/10)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	433.8 (17/3/77)	265.3 (27/10)	543.6 (14/5/72)	49.4 (26/6/40)
Gold Mines	246.0 (2/1/76)	78.2 (28/8)	442.3 (22/5/75)	43.5 (28/10/71)

		Mar. 21	Mar. 18
S.E. ACTIVITY	Daily		
	Gilt-Edged		
	Industrials		
	Speculative		
	Totals		
	5-day Av'rge		
	Gilt-Edged		
	Industrials		
	Speculative		
	Totals		

ENTERTAINMENT GUIDE

OPERA & BALLET

COLISEUM. 01-836 3161. (Credit card bookings 01-240 5258.) ENGLISH NATIONAL OPERA. Tonight & Thur. 7.30 Werther. Tomor. & Sat. 7.30 Die Fledermaus. Fri. 7.30 The Gamblers. 104 Balcony seats always available on day of performance.

COVENT GARDEN. 240 1066. (Gardencharge credit card booking 836 6903.) THE ROYAL BALLET. Tonight & Sat. 7.30 Romeo & Juliet. Tomor. 7.30 Concerto, A Month in the Country, Voluntaries. THE ROYAL OPERA. Thurs. 7.30 Peter Grimes. Fri. & Mon. 7.00 Don Giovanni. 65 Amphi seats for all perfs on sale from 10 am on day of perf.

SADLER'S WELLS TH. Rosebery Ave. ECI. 837 1672. ROYAL NORTHERN COLLEGE OF MUSIC Tonight & Tomor. 7.30 La Boheme. ... ROYAL ACADEMY OF MUSIC ... The Garden Wall ...

THEATRES

ADELPHI THEATRE. 01-836 7611. ... IRENE ... "LONDON'S BEST NIGHT OUT" ...

[illegible]

GARRICK THEATRE. 01-836 4601. Evgs. 8.00. Fri., Sat. 5.00 and 8.40. RICHARD BECKINSALE is "side-splittingly funny" (Daily Mail) in ...

ROUND HOUSE. 267 2564. LAST WEEK—Ends Saturday. Evgs. 8.30. Fri. and Sat. 5.00 and 9.00. LINDSAY KEMP ...

CINEMAS ARE CONTINUED ON PAGE 41

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid Up	Latest Renunc. Date	1977 High	1977 Low	Stock	Closing Price p	+ or −	Div. Amount	Times Covered	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid Up	Latest Renunc. Date	1977 High	1977 Low	Stock	Closing Price £	+ or −
[illegible]							

"RIGHTS" OFFERS

Issue Price p	Amount Paid Up	Latest Renunc. Date	1977 High	1977 Low	Stock	Closing Price p	+ or −
[illegible]							
8	nil	—	—	8p	7½p	Hunt & Moscrop	7½pm	−½
40p	nil	—	—	70	60	Racal Elect.	65	−5
75c	nil	—	—	nil	nil	Steel and Barnett	Nil	.....
$311	nil	—	—	12½	12½	Supreme Corp.	18½pm	.....
42p	nil	—	—	16	16	Sytone	16pm	−2
10p	F.P.	4/5	1/4	16	14	Weeks Assoc.	14½	−½

Renunciation date usually last day for dealing free of stamp duty. a Placing price to public. b Figures based on prospectus estimate. g Dividend rate paid or payable on part capital, cover based on dividend on full capital. p Pence unless otherwise indicated. u Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1977-78. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividends. ** Issued by tender. ☩ Offered to holders of Ordinary shares as a "rights." ♥ 290 S.Afr. cents. † Rights by way of capitalisation. †† Tender allotment price. ◆ Reintroduced. ‡‡ Issued in connection with reorganisation, merger or take-over. ♣ Introduction. ♠ Issued to former Preference holders. ‡ Allotment letters (or fully-paid). † Provisional or partly-paid allotment letters. § With warrants. ♦ After suspension. KD Kuwait Dinar.

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1977 high	1977 low
ICI	£1	18	353	−5	402	256
BP	£1	17	836	−32	950	557
Shell Transport	25p	13	498	−10	524	352
Courtaulds	25p	12	117	−5	169	73
Dunlop	50p	12	97	−6	107	57
Reed Intl.	£1	12	213	−4	274	156
Grand Met.	50p	11	72	−3	88	41
Marks & Spencer	25p	11	112	−3	116	70
BATs Defd.	25p	10	235	−5	249	183
Distillers	50p	10	133	−5	158	95½
GEC Cap. Notes	£100	10	£99¼	+¼	£99¼	£97
Lucas Inds.	£1	10	242	−7	252	128
Beecham	25p	9	425	−9	450	269
Commercial Union	25p	9	119	−5	138	73
GEC	25p	9	179	−7	189	78½

The above list of active stocks is based on the number of bargains recorded yesterday in the Official list and under Rule 163(1) (e).

OPTIONS TRADED

DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
Mar. 22	Apr. 4	Jun. 23	July 5
Apr. 5	Apr. 19	July 7	July 21
Apr. 20	May 2	July 21	Aug. 4

Calls were dealt in Premier Consolidated Oil, Amalgamated Metal, Lonrho, Hay's Wharf, William Press, Adda International, Hirst Mallinson, Lex Service, Whessoe, Shell Transport, English Property, Capital and Counties Property, Bejam, Burmah Oil, P and O Deferred, Brooke Bond, Robb Caledon, Ultramar, Dixon's Photographic, London Brick, Berry Wiggins, Tricentrol and Attock Oil. A put was done in J. Brown, while doubles were arranged in Vickers, Robb Caledon and Grand Metropolitan.

For rate indications, see end of Share Information Service.

FT—ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS / GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon. March 21, 1977 Index No.	Day's Change %	Est. Earnings Yield % (Max.) Corp. Tax 52%	Gross Div. Yield % (ACT at 35%)	Est. P/E Ratio (Net.) Corp. Tax 52%	Fri. March 18 Index No.	Thur. March 17 Index No.	Wed. March 16 Index No.
1	CAPITAL GOODS (178)	162.10	−2.5	18.71	6.15	7.94	166.33	167.80	165.30
2	Building Materials (31)	136.61	−2.1	19.96	7.19	7.70	139.49	140.33	136.91
3	Contracting, Construction (23)	224.87	−2.9	19.85	4.78	7.65	231.48	234.43	226.73
4	Electricals (16)	325.00	−3.7	17.05	4.95	8.69	337.60	342.47	340.12
5	Engineering (Heavy) (11)	206.20	−2.8	23.51	6.41	5.87	212.22	216.07	211.95
6	Engineering (General) (67)	145.40	−2.0	18.54	6.54	7.90	148.30	149.18	147.64
7	Machine and Other Tools (9)	75.98	−1.9	24.77	7.84	6.14	77.44	77.90	76.94
8	Miscellaneous (21)	136.64	−2.2	17.34	6.77	8.45	139.64	140.03	137.97
	CONSUMER GOODS								
11	(DURABLE) (53)	145.82	−2.3	18.57	5.37	8.01	149.28	150.98	147.39
12	Lt. Electronics, Radio TV (15)	165.37	−2.3	17.49	4.39	8.52	169.21	171.35	165.94
13	Household Goods (13)	147.32	−1.3	21.12	8.26	6.81	149.31	149.18	147.24
14	Motors and Distributors (25)	94.61	−2.6	19.50	6.06	7.69	97.17	98.41	96.91
	CONSUMER GOODS								
21	(NON-DURABLE) (170)	156.10	−2.3	15.39	6.45	9.59	159.79	161.17	158.13
22	Breweries (15)	166.22	−2.2	15.21	7.23	9.89	170.05	172.28	166.56
23	Wines and Spirits (6)	172.98	−3.4	14.59	6.55	10.52	179.05	181.33	178.55
24	Entertainment, Catering (15)	192.19	−3.1	16.71	7.68	9.07	198.31	200.43	198.73
25	Food Manufacturing (21)	168.59	−2.0	17.61	5.70	8.46	172.02	173.03	171.38
26	Food Retailing (17)	160.85	−0.3	13.18	5.12	10.99	161.04	162.45	157.46
32	Newspapers, Publishing (16)	248.66	−2.7	10.42	4.38	14.53	255.65	256.78	255.26
33	Packaging and Paper (13)	109.63	−1.8	16.40	7.30	9.39	111.62	113.51	111.53
34	Stores (35)	132.72	−2.7	11.85	5.38	13.02	136.45	137.06	133.54
35	Textiles (24)	153.49	−3.3	14.08	7.86	11.14	158.70	161.67	159.55
36	Tobaccos (3)	207.74	−1.9	22.08	8.65	6.02	211.79	213.27	210.31
37	Toys and Games (5)	83.02	−2.3	20.36	7.75	6.52	85.00	87.49	85.90
	OTHER GROUPS (95)								
42	Chemicals (20)	225.63	−1.8	16.08	5.21	9.05	229.88	232.32	229.54
44	Office Equipment (6)	97.56	−2.1	16.14	5.87	8.60	99.67	100.12	97.53
45	Shipping (10)	462.75	−2.4	11.67	5.67	12.29	473.98	477.47	467.24
46	Miscellaneous (51)	163.82	−2.2	16.23	7.46	9.21	167.47	169.76	164.92
49	INDUSTRIAL GROUP (496)	164.53	−2.3	16.48	6.17	8.95	168.38	169.97	166.88
51	Oils (4)	457.29	−2.9	11.14	3.95	11.26	471.03	478.35	477.79
59	500 SHARE INDEX	188.11	−2.4	15.52	5.77	9.29	192.73	194.77	191.83
61	FINANCIAL GROUP (100)	133.94	−2.8	—	5.96	—	137.83	140.15	137.58
62	Banks (6)	153.42	−2.9	26.94	6.26	5.68	157.97	161.20	158.39
63	Discount Houses (10)	170.00	−2.6	—	8.47	—	174.57	173.34	169.58
64	Hire Purchase (5)	118.69	−3.0	7.86	5.88	25.76	122.42	121.35	121.54
65	Insurance (Life) (10)	134.22	−1.5	—	6.62	—	116.00	117.13	114.03
66	Insurance (Composite) (7)	108.40	−3.8	—	6.82	—	112.73	116.27	113.62
67	Insurance Brokers (10)	274.98	−3.1	12.23	5.00	12.22	283.83	284.30	279.00
68	Merchant Banks (15)	68.11	−1.7	—	6.23	—	69.26	68.82	67.34
69	Property (31)	171.81	−2.1	4.28	3.28	37.93	175.43	177.35	175.57
70	Miscellaneous (6)	81.22	−1.8	18.57	10.61	8.32	82.75	83.49	80.94
71	Investment Trusts (50)	168.06	−1.2	3.18	4.73	31.49	170.18	170.78	167.38
81	Mining Finance (4)	102.36	−3.0	10.34	4.95	12.27	105.50	103.97	102.47
91	Overseas Traders (17)	264.20	−2.8	17.56	5.69	8.00	271.91	274.58	272.48
99	ALL-SHARE INDEX (671)	174.83	−2.4	—	5.73	—	179.19	181.09	178.24

	FIXED INTEREST	Monday March 21 Index No.	Monday March 21 Yield %	Friday March 18	Thurs. March 17	Wed. March 16	Tues. March 15	Monday March 14	Friday March 11
1	Consols 2½% yield	—	12.68	12.52	12.58	12.74	12.73	12.72	12.96
2	20-yr. Govt. Stocks (6)	54.47	†11.99	54.79	54.70	53.69	54.05	54.34	53.64
3	20-yr. Red. Deb. & Loans (15)	52.66	†14.07	52.49	52.28	50.98	50.81	50.79	50.76
4	Investment Trust Prefs. (15)	48.68	14.39	49.08	49.08	49.32	49.32	49.32	48.57
5	Coml. and Indl. Prefs. (20)	68.65	13.66	68.54	68.50	68.60	68.60	68.56	68.65

† Redemption yield. Highs and lows record, base dates and values and constituent changes are published in ... issues. A list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4, price 15p, by post 20p.

NEW HIGHS AND LOWS FOR 1977

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1977.

NEW HIGHS (20)

LOANS (Misc.) (3)
FFI 14pc 1979 — Ultramar 7pc 75-78
ICFC 9pc 1977

FOREIGN BONDS (1)
Uruguay 3½pc

ENGINEERING (2)
Davies Metcalfe A — Warne Wrights

FOODS (2)
Alpine Soft Drinks — Park Farms

HOTELS (1)
De Vere

INDUSTRIALS (6)
Gibbons (S.) — Holt Lloyd
Nairns — Kelsey Inds.
Headcrest Inv. — Marshall's Univ.

SHOES (2)
Booth (Intl.) — Ward White

TRUSTS (2)
Channel Is. Inc. — Derby Tst. Cap.

MINES (1)
Pacific Copper

NEW LOWS (3)

ENGINEERING (2)
Assoc. Tooling — Spencer Clark

FOODS (1)
Meat Trade Supp.

RISES AND FALLS YESTERDAY

	Up
British Funds	8
Corpns. Dom. and Foreign Bonds	4
Industrials	121
Financial and Prop.	25
Oils	2
Plantation	2
Mines	32
Recent Issues	10
Totals	20[illegible]

AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

INSURANCE, PROPERTY, BONDS

BASE LENDING RATES

...Bank	10½%	■ Hambros Bank	10½%
Irish Banks Ltd.	10½%	■ Hill Samuel	§10½%
...ao Express Bnk.	10½%	C. Hoare & Co.	†10½%
...Bank Ltd.	10½%	Julian S. Hodge	11½%
...Ansbacher	11 %	Hongkong & Shanghai	10½%
...de Bilbao	10½%	Industrial Bank of Scot.	11½%
...Credit & Cmce.	11½%	Keyser Ullman	11 %
...of Cyprus	10½%	Knowsley & Co. Ltd.	13 %
...of N.S.W.	10½%	Lloyds Bank	10½%
...e du Rhone S.A.	11 %	London & European	12 %
...ys Bank	10½%	London Mercantile	10½%
...t Christie Ltd.	12 %	Midland Bank	10½%
...Holdings Ltd.	12 %	■ Samuel Montagu	10½%
...ank of Mid. East	10½%	■ Morgan Grenfell	10½%
...Shipley	10½%	National Westminster	10½%
...Permanent AFI	10½%	Norwich General Trust	11 %
...C & C Fin. Ltd.	12½%	P. S. Refson & Co.	10½%
...Lowater Co. Ltd.	11½%	Rossminster Accept'cs	11½%
...Holdings	12 %	Royal Bk. Canada Trust	10 %
...rhouse Japhet	10½%	Schlesinger Limited	11 %
...Coates	11½%	E. S. Schwab	12 %
...idated Credits	11½%	Security Trust Co. Ltd.	12 %
...rative Bank	*10½%	Shenley Trust	14 %
...hian Securities	10½%	Standard Chartered	10½%
...Lyonnais	10½%	Trade Development Bk.	10½%
...Dawes	12 %	Twentieth Century Bk.	12 %
...n Lawrie	10½%	United Bank of Kuwait	10½%
...Trust	10½%	Whiteaway Laidlaw	11 %
...Transcont.	11 %	Williams & Glyn's	10½%
...London Secs.	11½%	Yorkshire Bank	10½%
...Nat. Fin. Corp.	14 %		
...Nat. Secs. Ltd.	14 %		
...Gibbs	10½%		
...Durrant Trust	10½%		
...ound Guaranty	10½%		
...lays Bank	†10½%		
...ness Mahon	10½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 6½%, 1-month deposits 6½%.
† 7-day deposits on sums of £10,000 and under 6½%, up to £25,000 7½%, and over £25,000 7½%.
‡ Call deposits over £1,000 6½%.
§ Demand deposits 7½%.

...EMAS—Cont.

ART GALLERIES

COVENT GARDEN GALLERY LTD., 20, Russell Street, W.C.2. Tel. 836 1139. Two Exhibitions MASTER DRAWINGS from the 16th to the 20th century and George Cumberland views in England, 1815-28. Opens daily 10-6. Thurs. 7.30. Sat. 12.30.

FIRST LONDON EXHIBITION OF ANIMAL DRAWINGS BY JAMES LACEY. March 0-March 26. Daily 10 a.m. to 6 p.m. Sat. 10 a.m. to 1 p.m. at SPENCER S.A. 16b Grafton Street, Bond Street, London W1X 3LF. Tel. 629 0791.

UNUSUAL PAINTINGS. 63 Queen's Grove, St. John's Wood. FIELDBOURNE GALLERIES 586 3600. Mon.-Fri. 10 a.m.-6 p.m. Sat. by appointment.

REDFERN GALLERY. JOHN TUNNARD 1900-1971. Paintings and Gouaches. 8 March-6 April. 20 Cork Street, London. W.1.

RENOIR GALLERIES. Crescent Road inr. Valley Gardens, Harrogate. Exhibition...

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Flex. March 15	112.0	118.6	...	—
Equity March 15	182.1			—
Ser. 2 March 15	185.4	195.3		—
Prop. March 15	124.6	131.3	...	—
Fxd. Int. March 15	127.0	133.6	...	—
Deposit March 15	108.2	114.0	...	—
Pns.Cps March 15	159.6	168.1	...	—
Pen. Acc. March 15	181.1	191.0		—
Exec. Pen. Cap.	110.34			—
Exec. Pen. Acc.	115.66			—
Money Fund	102.2	107.6		—

NOTES

Prices do not include $ premium, except where indicated $, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Net of tax on realised capital gains unless indicated by ♦. § Guernsey gross. ♦ Suspended. ♦ Yield before Jersey tax.

INSURANCE BASE RATES

† Property Growth	11½%
Cannon Assurance	10½%

† Address shown under Insurance and Property Bond table.

CORAL INDEX Close 414-419

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

1977 High	Low	Stock	£	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
101¼	98⅝	Treasury 11½pc '77‡‡	101½xd	......	11.38	9.26
95⅞	93⅛	Treasury 3pc '77‡‡	95¾	−⅛	3.15	9.84
96	95½	Transport 4pc '72-77	95⅞	−⅛	4.17	9.79
99⅞	95⅝	Treasury 9pc 1978‡‡	99¼	−⅛	9.07	9.81
101	97¾	Treasury 10½pc '78‡‡	101	......	10.40	9.66
96½	90½	Exch. 5pc '76-78	96xd	−½	5.21	7.84
102⅜	95⅞	Treasury 11½pc '79‡‡	101⅞	−⅛	11.28	10.38
93½	84⅞	Treasury 3pc '79‡‡	93xd	−½	3.23	6.06
94⅞	85⅛	Electric 4½pc '74-79	94xd	−⅜	4.52	6.88
101⅛	77½	Treasury 10½pc '79‡‡	100⅛	−⅜	10.49	10.43
92⅞	84⅞	Electric 3½pc '76-79	92⅛	−½	3.80	6.79
99⅝	87¾	Treasury 9pc 1980‡‡	98⅝	−⅛	9.12	9.53
99⅛	88⅛	Treasury 9½pc '80‡‡	98⅛	−⅛	9.65	10.09
90½	82¾	Treasury 3½pc '77-80	89⅝	−¼	3.90	7.15
92⅞	83⅞	Funding 5½pc '78-80‡‡	91⅝	−¼	5.73	8.25
107⅜	96⅞	Exchequer 13pc 1980‡‡	106⅜	−⅜	12.22	10.84
104⅛	92⅞	Treasury 11½pc 1981‡‡	103⅛	−⅛	11.13	10.41
88⅞	77½	Treasury 3½pc 1979-81	88	−½	3.98	7.07
100⅛	86⅞	Treasury 9¾pc 1981‡‡	99⅞xd	−¼	9.80	9.93
107⅛	100⅞	Exch. 12¾pc 1981‡‡	106½	−⅜	11.97	10.91
97½	90½	Treasury 8½pc '80-82‡‡	96¾	−¼	8.79	9.34
85⅞	80⅛	Treasury 3pc '82‡‡	85⅛	−⅛	3.53	6.61
113⅜	101⅝	Treasury 14pc '82‡‡	112⅜xd	−1	12.46	10.74
		Five to Fifteen Years				
106½	95½	Treasury 12pc 1983‡‡	104⅞xd	−1¼	11.46	10.91
86¼	72⅞	Funding 5½pc '82-84‡‡	85½	−¾	6.51	8.54
92¾	77¼	Treasury 8½pc '84-86‡‡	92	−¾	9.41	10.12
80¼	66⅛	Funding 6½pc '85-87‡‡	79⅞	−⅜	8.40	10.13
83½	62½	Treasury 7¾pc '85-88‡‡	82½	−1	9.53	10.69
60¼	49⅛	Transport 3pc '78-88	59⅝	−⅜	5.11	8.86
63	53⅞	Treasury 5pc '86-89	62⅛xd	−⅜	8.01	10.43
106¼	90	Treasury 13pc 1990‡‡	105¼	−1	12.63	12.53
80	67½	Treasury 8¼pc '87-90‡‡	79⅝	−⅝	10.69	11.67
62	53¼	Funding 5¾pc '87-91‡‡	61½xd	−½	9.32	11.23
102⅛	91½	Treasury 12¾pc '92‡‡	101⅛	−1	12.87	12.88

Over Fifteen Years

Undated

**INTERNATIONAL BANK

**CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS (Miscel.)

FOREIGN BONDS & RAILS

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

S.E. List Premium 40% (based on $US1.7108 per £)

Conversion factor 0.7123 (0.7178)

CANADIANS

1977 High	Low	Stock	£	+ or −	Div. Gross	Cvr	Y'ld Gr's
11⅝	10	Bk. Montreal $2	11⅛	......	$1.00	—	5.3
17⅞	14⅞	Bk. Nova Scotia $1	15½	−⅛	86c	—	3.3
41¼	34¼	Bell Canada 25c	37⅞	+⅛	$4.08	—	6.4
19⅞	15	Bow Valley‖	15	−⅝	10c	—	0.4
995p	875p	Brascan‖	895p	−10	10⅛	—	6.6
22⅞	18⅛	Can. Imp. Bk. $2	18⅞	......	$1.40	—	4.4
14¼	11⅞	Can. Pacific $5	13½	−⅛	80c	—	3.7
29½	26½	Do. 4pc Deb. £100	29⅜	+¼	4%	—	13.6
22¾	18⅞	Gulf Oil Can.‖	21¾	+½	$1.06	—	2.5
410p	335p	Hawker Sid. Can.‖	350p	+10	36c	—	6.0
25	20¼	Hollinger $5	24⅛	+⅜	$1.94	—	5.9
13⅞	11⅞	Hudson's Bay ‖	12⅛	......	65c	—	0.1
29½	25⅛	Hud. B. Oil G. $2½	25½	......	$1.52	—	3.5
18¾	15½	Imperial Oil‖	17	−⅛	86.4c	—	3.0
28¼	23⅝	Inco	25⅝	......	$1.60	—	3.7
765p	745p	Int. Nat. Gas $1	765p	+5	80c	—	6.1
18¾	14½	Massey Ferg.‖	15⅝	−⅛	$1.00	—	3.8
24½	20½	Pacific Pet. $1	22	−¼	86.4c	—	2.3
42p	32p	Place Gas $1	33p	−½	—	—	—
23¾	19⅝	Rio Algom	21⅛	+⅝	$1.00	—	2.8
22	17⅞	Royal Bk. Can. $2	18⅞	+½	$1.38	—	4.3
19⅞	16⅞	Seagram Co. C$1	18⅛	+⅛	86.4c	—	2.8
16⅞	12¾	Tor. Dom. Bk. $1	13⅞	−⅛	76c	—	3.3
10¾	925p	Trans. Can. Pipe 33½c	10¾	+¼	95c	—	5.2

S.E. List Premium 40% (based on $1.8071 per £)

BANKS AND HIRE PURCHASE

1977 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's	P/E
325	46	ANZ $A1	284	+4	tQ18c	—	3.9	—
238	180	Alexanders D. £1	208	−5	12.83	—	9.5	—
£109	£92½	Algemene Fl.100	£97½	......	Q22.5%	ϕ	3.8	ϕ

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

BUILDING INDUSTRY—Continued

CHEMICALS, PLASTICS

CINEMAS, THEATRES AND TV

DRAPERY AND STORES

DRAPERY AND STORES—Continued

ELECTRICAL AND RADIO

ENGINEERING, MACHINE TOOLS

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Cont.

INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPBUILDERS, REPAIRERS

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS—Continued

[illegible]

Finance, Land, etc.

[illegible]

OILS

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

CENTRAL RAND

[illegible]

EASTERN RAND

[illegible]

FAR WEST RAND

[illegible]

O.F.S.

[illegible]

FINANCE

[illegible]

DIAMOND AND PLATINUM

[illegible]

MINES—Continued

CENTRAL AFRICAN

[illegible]

AUSTRALIAN

[illegible]

TINS

[illegible]

COPPER

[illegible]

MISCELLANEOUS

9	9	Burma Mines 17½p	9	......	0.1	φ	1.8
29	18	Charterhall 5p	28	−½	—	—	—
87	58	Colby Mines $C1	84	−3	—	—	—
600	425	Cons. Murch. 10c	500	−10	Q140c	φ	18.7
440	355	Northgate C$1	430	+10	—	—	—
227	173	R.T.Z.	223	−4	g5.96	2.1	4.1
70	55	Sabina Inds. C$1	57	−3	—	—	—
£14¼	£11⅛	Tara Exptn. $1	£12½	−⅛	—	—	—
53	39	Yehdr Minerals 10p	50	−3	t1.19	2.2	3.7
140	123	Yukon Cons. C$1	140	......	Q6½c	φ	1.8

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures; they are adjusted to ACT of 35 per cent. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- Δ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents.
- ◊ Figures or report awaited.
- †† Unlisted security.
- ♯ Price at time of suspension.
- § Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- φ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ▼ Excluding a final dividend declaration.
- ✻ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1976-77. M Figures based on prospectus or other official estimates for 1976. N Dividend and yield based on prospectus or other official estimates for 1978. P Dividend and yield based on prospectus or other official estimates for 1977. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £325 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	18	......
Ash Spinning	40	......
Bertam	17	......
Bdg'wtr. Est. 50p	252	......
Clover Croft	21	......
Craig & Rose £1	360	......
Dyson (R.A.)	22	......
Ellis & McHdy.	59	......
Evans F'rk 10p	21	......
Evered	12	......
Fife Forge	55	......
Finlay Pkg. 5p	16	......
Graig Ship. £1	325	......
Hallam Sleigh 10p	[illegible]	......
Higsons Brew.	75	−2
I.O.M. Stm. £1	145	......
Holt (Jos.) 25p	200	......
Kleen-e-Ze	41	......
Lovell's Ship £1	120	......
N'thn. Goldsmith	36	......
Pearce (C. H.)	50	......
Peel Mills	13	......
Robb Caledon 5p	71	−9
Sayers 12½p	32	......
Sheffield Brick	65	......
Sheff. Refrsbmt.	169	......
Shiloh Spinn.	21	......
Sindall (Wm.)	54	......

IRISH

Conv 9% '80/82	£91	−¼
Alliance Gas	43	......
Arnott	245	......
Carroll (P.J.)	94	......
Clondalkin	42	+1
Concrete Prods.	73	......
Heiton (Hldgs.)	23	......
Ind. News	43	......
Ins. Corp.	125	......
Irish Distillers	53	−2
Irish Ropes	120	......
Jacob	45	+2
Sunbeam	16	−2
T.M.G.	132	......
Unidare	49	......

OPTIONS

3-month Call rates

Industrials

A. Brew	6½	Hawker Sidd.	40	Tube Invest.	30
A.P. Cement	22	House of Fraser	8	Unilever	40
B.S.R.	10	I.C.I.	25	Utd. Drapery	7½
Babcock	6	"Imps"	7	Vickers	15
Barclays Bank	25	I.C.L.	14	Woolworths	6
Berry Wiggins	5	Inveresk	7		
Beecham	32	Ladbroke	11		
Boots Drug	12	Legal & Gen.	12		
Bowaters	15	Lex Service	5		
B.A.T.	21	Lloyds Bank	22		
British Oxygen	6	"Lots"	5		
Brown (J.)	17	London Brick	5		
Burton 'A'	5	Lonrho	3		
Cadburys	5	Lucas Inds.	20		
Cavenham	10	"Mams"	7		
Courtaulds	10	Mrks. & Spncr.	10		
Debenhams	6	Midland Bank	25		
Distillers	13	Nat. West. Bank	22		
Dunlop	3½	Do. Warrants	9		
Eagle Star	11	P & O Dfd.	12		
E.M.I.	20	Plessey	7		
Gen. Accident	17	R.H.M.	5		
Gen. Electric	[illegible]	Rank Org. 'A'	18		
Glaxo	[illegible]	Reed Intl.	20		
Grand Met.	7	Revrolle	12		
G.U.S. 'A'	18	Spillers	4		
Guardian	18	Tesco	4		
G.K.N.	25	Thorn 'A'	22		
		Trust Houses	13		

Property

Brit. Land	3½
Cap. Counties	3
E.P.	5
Intereuropean	7
Land Secs.	15
MEPC	7
Peachey	6
Samuel Props.	4½
Town & City	4½

Oils

Brit. Petroleum	60
Burmah Oil	9
Shell	20
Ultramar	14

Mines

Charter Cons.	15
Charterhall Fin.	4
Cons. Gold	15
Rio T. Zinc	18

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES

Tuesday March 22 1977

Dissidents: Brezhnev attacks U.S.

BY DAVID LASCELLES, EAST EUROPE CORRESPONDENT

MR. LEONID BREZHNEV, the Soviet Leader, yesterday delivered a blistering attack on the U.S. Administration for its handling of the Soviet human rights issue in recent weeks. He made it clear that the Soviet Union had no intention of changing its policy over "renegade" dissidents.

But though his speech to the Soviet trade union congress was among the toughest he has made for many years, it laid heavy emphasis on the need and scope for better Soviet-U.S. relations, and put forward proposals on several issues, from disarmament to the Middle East.

Speaking only a few days before Mr. Cyrus Vance, U.S. Secretary of State, is due in Moscow for the first high-level contact between the Kremlin and President Carter's Administration, Mr. Brezhnev denounced "direct attempts at interference in our internal affairs by official American circles."

While not mentioning Mr. Carter by name, it was clear he was referring to the U.S. President's espousal of the Soviet dissidents' cause, including his letter to Dr. Andrei Sakharov, the Nobel-prize winner physicist.

"We will not tolerate interference in our internal affairs by anyone and under any pretext . . . a normal development of relations on such a basis is unthinkable," he warned.

The U.S. was doing little to overcome the "stagnation" of U.S.-Soviet relations, and this could no longer be explained by the hiatus of a Presidential change.

The 70-year-old Soviet leader indicated he was hoping for progress from Mr. Vance's visit, and stressed that an improvement in U.S.-Soviet relations remained a major aim of Soviet policy.

"We will see what he brings with him. Everyone realises the importance of the further development of Soviet-American relations. We would like these relations to be good-neighbourly. But this requires a certain level of mutual understanding and a minimum of mutual tact."

Mr. Brezhnev's speech, which contained his first major review of Soviet foreign policy for several months, touched on most major international issues in some detail.

On arms control, which will be the centre of Mr. Vance's talks, the Soviet leader expressed hopes that a new SALT agreement on the basis of the terms negotiated in 1974, would be achieved.

He also reiterated Soviet interest in a ban on nuclear testing, including on-the-spot verification "on a voluntary basis."

He repeated an earlier Soviet proposal for a freeze on troop levels in Central Europe while actual cuts are under negotiation.

None of these proposals appeared to be essentially new, but they confirm the Soviet position at a time when military questions are highly topical.

Mr. Brezhnev also proposed a step-by-step withdrawal by Israel from territory occupied in 1967 as a way towards setting up inviolable frontiers in the Middle East, to be protected and guaranteed by outside forces.

In the Soviet view, a resumption of the Geneva conference was becoming more realistic.

Brezhnev points the way Page 5

Real disposable incomes squeezed more tightly

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE SQUEEZE on real disposable incomes has intensified in recent months, despite a faster rate of increase in earnings than implied by the Government's target for the second stage of the pay policy.

Department of Employment figures, announced yesterday, indicate a 5.5 per cent. increase in average earnings in the first six months of the current stage, against an official goal for the full year to July of a rise of 7 per cent.

This figure seems almost certain to be exceeded even though the formal limits of the £4-a-week policy appear to be holding with around half those covered by major settlements having agreed within this figure.

The official explanation for the discrepancy is that the rise in earnings so far may have owed something to impact of late settlements and back payments—for example, to transport workers—under stage one and to higher overtime.

Overtime appears to have picked up during the current stage and may account for perhaps ½ to ¾ per cent. of the earnings rise since July.

It is also pointed out that during the early part of the first stage of pay restraint earnings rose faster than in the latter part—and this pattern could be repeated.

The earnings rise between December and January was only 0.1 per cent. to 277.5 (January, 1970=100, seasonally adjusted) though the rate of increase tends to jump around from month to month.

While the rise in earnings over the full year may be lower than the annual increase of 11½ per cent. implied now, most forecasters, including OECD last week, have been projecting a rise of at least 8 to 9 per cent. for the period.

This could reflect some slippage and earnings drift as workers move between companies.

The strains on the pay policy—also shown by the British Leyland toolmakers dispute—explain the pressures for more flexibility and a partial restoration of differentials in any further stage of pay restraint after this July.

However, the pay talks are occurring when the squeeze on real incomes is intensifying: the 5.5 per cent. earnings rise since July compares with an increase in the retail price index of 10.3 per cent.

Indeed, after taking account of tax and national insurance payments, real personal disposable income fell by almost 1½ per cent. in the fourth quarter to its lowest level for nearly four years, according to last week's Bank of England quarterly bulletin.

Between the first quarter of 1973 and the final quarter of 1976, real disposable incomes increased by only 1 per cent., and within this there was a redistribution from middle and upper income earners to the low paid and the poor.

The squeeze on real incomes has undoubtedly continued so far this year, probably more tightly, and OECD has projected a fall in real disposable incomes of as much as 3½ to 4 per cent. this year.

At the pre-tax level, earnings increased by 11.8 per cent. in the year to January against a rise in retail prices of 16.6 per cent.

The year-on-year rate of increase in basic weekly wage rates of manual workers has continued to fall and now shows a rise of 8.5 per cent. to 222.6 (July, 1972=100) for February compared with 10.7 per cent. in the year to January. But this is artificially low because there has been no change in nationally negotiated rates for engineering workers for over a year. The basic wages index is anyway a much less reliable guide than the earnings figures which take accounts of overtime and cover all employees, not just manual workers.

Big new surge in tea auction prices

BY BERNARD SIMON

TEA PRICES rocketed by up to 32 per cent. at the London auctions yesterday, repeating the strong upward movement of the past five weeks.

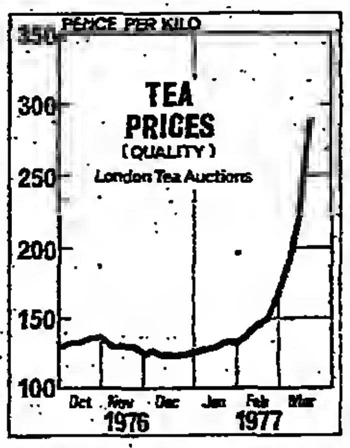
The price indicated for quality teas sold yesterday was 289p a kilo, compared with 222p a kilo last week and about 75p a year ago. Medium teas jumped from 210p a kilo last Monday to 270p, and plain varieties from 190p to 250p.

While the price of tea now being delivered to shops is 20½p a quarter pound, one leading manufacturer estimates that sustained auction prices of 250p a kilo will result in retail prices being pushed up to around 40p a quarter.

Yesterday's auctions closed on a very strong note, with particularly heavy demand for Sri Lanka (Ceylon) tea: one sale towards the end of the auctions fetched almost £3 a kilo.

Brokers ascribed yesterday's heavy buying mainly to the news that primary wholesalers' tea stocks at the end of December were the lowest for at least four years. Last December these stocks totalled 20,450 tonnes, compared with 21,097 tonnes at the end of 1975 and almost 27,000 tonnes in December 1974.

Since almost all the buying pressure came from blenders, it can be assumed that consumer demand for tea has shot up and that many housewives are hoarding tea in anticipation of big retail price increases during the next few months. Indeed, one retail distributor reports "massive demand" for tea in recent weeks.



Although yesterday's steep increase in auction prices has surprised everyone (at least one normally big buyer even bid for lower quantities than usual), a further rise next Monday cannot be ruled out.

Mr. Peter Banyard, president of the London Tea Brokers' Association noted there was unlikely to be any improvement in supplies for some months.

But there should be a stabilisation of prices towards mid-year when bigger East African and Ceylonese crops reach the market.

Indian tea export move, Page 39

China spring drought worst since 1949

BY COLINA MacDOUGALL

THE SPRING drought now affecting North and Central China is the worst since 1949, according to the Peking People's Daily.

The severe drought is threatening the growth of the summer-harvest crops and the spring sowing, the newspaper reported in a front-page commentary last Saturday.

Urging all-out efforts to conquer the drought, it said many millions of peasants, Government officials, industrial workers and soldiers have been deployed to fight it.

The disaster appears to be affecting areas from Peking in the north to Wuhan in Central China, particularly the provinces of Honan, Shansi and Shantung.

It follows a prolonged drought in parts of North and North-East China last year. In Hopei province in 1976, drought was said to have struck for the fifth year in succession.

The area most troubled this year, along the Yellow and Huai Rivers, is China's major wheat-producing region. Rainfall there is normally sparse and unevenly distributed, but much work has been done in the recent years to stabilise output by building irrigation works and digging wells.

This, however, is only successful if the underground water table remains sufficiently high, and after last year's dry spells it may no longer be so.

Peking's purchase of 2m. tonnes of wheat from Australia, announced two weeks ago, brought to over 5m. tonnes the quantity it has on order for the current year.

This includes an earlier purchase of ½m. tons from Australia, 2.25m. tonnes from Canada, and 300,000 tonnes from Argentina. This is the largest purchase commitment since 1974 and the cost is estimated to be about U.S.$550m.

The People's Daily indicated that the sowing of maize and millet was being affected by the drought which was potentially damaging not just to the 40m. tonnes wheat harvest but also the 100m.-tonnes coarse grain crop.

Our Commodities Editor writes: There is no shortage of wheat supplies in the world at present.

The outlook for closing stocks in the 1976/77 season, according to the latest International Wheat Council estimate, is that total supplies of the five major exporters (the U.S., Canada, Australia, the EEC and Argentina) will rise by 14.8m. tonnes to 186.6m. tonnes.

This would leave, based on the council's estimate, a rise of 23m. tonnes (60.5 per cent.) in stocks to 61m. tonnes compared with stocks at the end of 1975/76.

The U.S. and Canada would therefore, be pleased to be able to dispose of some surplus supplies to China, especially as the Soviet Union appears to be cutting its purchases to the minimum.

But further big Chinese wheat purchases could cause an acute tightening in the supply situation if, as expected, 1977 crops are lower because of the low level of prices last year, encouraging farmers to cut back plantings.

Back from the brink, Page 6

NEB puts £240,000 into clocks

By Margaret Reid

THE NATIONAL ENTERPRISE Board is injecting £240,000 of cash to take a 90 per cent. stake in the share capital of Thwaites and Reed, a clock-making concern, whose work includes maintenance and repair of Big Ben.

Thwaites, founded in 1740, has had losses in recent years. It has been re-established at a new site at St. Leonards-on-Sea, and has plans for a major expansion.

The company, whose products include carriage clocks and grandfather clocks for the export market, is shortly embarking on production of movements—the internal mechanisms of clocks—which have hitherto been imported.

This and other plans are expected eventually to raise the company's turnover to £3m.-£4m. a year, compared with a recent level of some £200,000.

The State-backed National Enterprise Board's investment in Thwaites is likely to be the first of several in small companies chosen because they manufacture products suitable for export.

Thwaites has undergone considerable vicissitudes in recent years. In 1969 it received substantial backing from Lord Tanlaw, to whom control then passed. It branched out into a range of new products, but sizeable losses were incurred.

A few years later Mr. Geoffrey Buggins, whose family had long run the company, repurchased it, but there were further losses, while expansion was inhibited by lack of a strong capital base.

Men and Matters Page 18

OPEC may agree on oil price compromise

BY RAY DAFTER, ENERGY CORRESPONDENT

THE MAIN oil-producers may be considering a compromise oil price, equivalent to a 7-8 per cent. rise on last year's prices, according to reports from within the Organisation of Petroleum Exporting Countries.

Although there is no sign that OPEC will quickly abandon the two-tier pricing system, reports suggest that the attitudes in the two pricing camps are softening.

According to the authoritative Petroleum Intelligence Weekly, only a nominal 1 per cent. separates the two.

Saudi Arabia and the United Arab Emirates opted for a 5 per cent. price rise on January 1. The majority, the pricing "hawks," led by Iran, decided on 10 per cent.

Iran, according to the weekly, is said to be willing to ease the increase to 8 per cent. to lead the way back to pricing unity, despite the widespread belief that the Shah would not be prepared to move.

Like the other so-called hawks, however, Iran realises that OPEC will need a united front when it reviews prices in the future.

Saudi Arabia, which has pushed hardest for price restraint, is reported willing to accept a 7 per cent. rise provided the 11 OPEC members drop their demands for another rise of 5 per cent. in July.

It may be July or even later before the issue is settled. Saudi Arabia's attempts to impose her pricing will by dramatically increasing production have largely been frustrated so far for two main reasons—the cold weather in the U.S. stimulated higher than anticipated demand, and Saudi output was hit by a storm affecting loading ports.

The effects of the January 1 price rise are working through to the products sector, and it is expected that marketing companies like Esso Petroleum, Shell U.K. and BP Oil will shortly apply for a 1p to 2p-a-gallon rise for petrol and other products.

Weather

U.K. TO-DAY

RATHER COLD. Some rain in S. and E. England, mostly dry elsewhere.

London, E. Anglia, S.E., Cent. S., E., S.W., Cent. N., NE England, Midlands, Channel Isles, S Wales

Outbreaks of rain. Winds N.E., fresh, perhaps strong at times. Max. 6-9C (43-48F).

N. Wales, N.W. England, Lakes, Isle of Man, S.W., N.W. Scotland, Glasgow, Argyll, N. Ireland

Sunny intervals, mostly dry. Winds N.E., moderate. Max. 7C (45F).

Borders, Edinburgh, Dundee, Aberdeen, Cent. Highlands, Moray Firth, N.E. Scotland, Orkney, Shetland

Sunny intervals, mostly dry. Winds N.E., light or moderate. Max. 5-7C (41-45F).

Outlook: Rather cold in E. and S., with some showers. Mostly dry in N.W., with temperatures near normal.

BUSINESS CENTRES

		Y'day Mid-day °C	°F			Y'day Mid-day °C	°F
Alexdria.	C	20	68	Luxembg.	C	3	37
Amstrdm.	C	9	48	Madrid	F	11	52
Athens	F	17	63	Manchstr.	C	6	43
Barcelona	R	10	50	Melbourne	S	18	64
Beirut	S	21	70	Milan	C	9	48
Belfast	C	6	43	Montreal	S	5	41
Belgrade	R	15	59	Moscow	C	2	36
Berlin	C	5	41	Munich	F	9	48
Birmghm.	R	6	43	Newcastle	C	8	46
Bristol	R	6	43	New York	S	8	46
Brussels	C	9	48	Oslo	C	4	39
Budapest	C	12	54	Paris	F	12	54
B. Aires	C	23	73	Perth	S	23	73
Cairo	S	22	71	Prague	C	10	50
Cardiff	C	7	45	Reykjavik	C	7	45
Cologne	C	10	50	Rio de J'o	C	31	88
Copnhgn.	R	5	41	Rome	C	16	61
Dublin	C	6	43	Singapore	S	30	86
Edinburgh	R	5	41	Stockholm	C	2	36
Geneva	C	8	46	Strasbrg.	C	9	48
Frankfurt	R	8	46	Sydney	S	23	73
Glasgow	F	8	46	Tel Aviv	S	19	66
Helsinki	C	2	36	Tokyo	S	11	52
H. Kong	S	20	68	Toronto	S	3	37
Jo'burg	C	21	70	Vienna	S	15	59
Lisbon	S	14	57	Warsaw	F	14	57
London	C	6	43	Zurich	F	8	46

HOLIDAY RESORTS

		Y'day Mid-day °C	°F			Y'day Mid-day °C	°F
Ajaccio	C	16	61	Las Plms.	F	21	70
Algiers	C	21	70	Locarno	R	6	43
Biarritz	C	11	52	Luxor	S	29	84
Blackpool	C	7	45	Majorca	C	16	61
Bordeaux	C	7	45	Malaga	S	18	64
Boulogne	F	10	50	Malta	S	20	68
Casblnca.	F	17	63	Nairobi	S	22	71
Cape Tn.	S	28	82	Naples	F	17	63
Corfu	F	18	64	Nice	C	13	55
Dubrovnik	C	14	57	Nicosia	S	19	66
Faro	C	12	54	Oporto	F	12	54
Florence	F	15	59	Rhodes	S	18	64
Funchal	S	18	64	Salzburg	S	11	52
Gibraltar	F	16	61	Tangier	C	16	61
Guernsey	R	6	43	Tenerife	C	13	55
Innsbruck	S	13	55	Tunis	S	15	59
Inverness	C	5	41	Valencia	C	16	61
Is. of Man	C	6	43	Venice	F	15	59
Jersey	C	8	46				

S—Sunny. F—Fair. C—Cloudy. R—Rain.

Continued from Page 1

Callaghan talks

to abstain to-morrow, now intends to vote against the censure motion.

Of greater significance to Ministers were the increasing signs of solidarity within Labour's ranks as the prospect of a General Election increased. The Tribune Group of Left-wingers issued a statement of total support for Mr. Callaghan and refused to condemn prematurely any deals the Premier might be forced to reach in order to stay in office.

Left-wing suspicion of any deal with the Liberals was voiced by Mrs. Barbara Castle at a meeting of the Labour Party-TUC liaison committee, but neither she nor other Left-wingers proposed that Mr. Callaghan should abandon his unorthodox contacts with Mr. Steel or the Unionists.

Mrs. Castle contented herself with attacking what she described as the Liberal leader's "arrogance" in describing terms for saving the Government which were in her view a programme for the survival of the Liberal Party.

Mr. Callaghan spoke defiantly at the meeting about the prospects for the censure debate. "We are going to win but the party's conscience will not be sacrificed in any discussions with minority groups," he declared.

Continued from Page 1

TUC

public expenditure squeeze. That could mean many Labour abstentions, and some lack of canvassing vigour from unions worst hit by the cuts.

Central Office also expects to increase the 3m. or 4m. votes it says the party collected last time from the 11m. members of TUC-affiliated unions.

There was some surprise yesterday, however, about the conditions set out by Mr. David Steel, leader of the Liberals, for his support of the Government.

There is now no "socialist" legislation in the pipeline which the Government could drop as part of the change of course Mr. Steel wants. The only controversial measure proposed on industrial democracy, is unlikely to reach the statute book before next year.

THE LEX COLUMN

Equity Bank gets off the ground

Equity Capital for Industry has, after all, a valuable role to perform. This is the first reaction to its proposals for the reconstruction of Bond Worth. Not only is the ECI helping to put up badly needed equity finance—it is also tackling what appears to be the source of the group's present predicament which has arisen as a result of an over-ambitious expansion programme over a period of years. The present chairman and five of his colleagues are to retire at next month's AGM, and it is proposed to replace them with a group of experienced candidates from industry and the City.

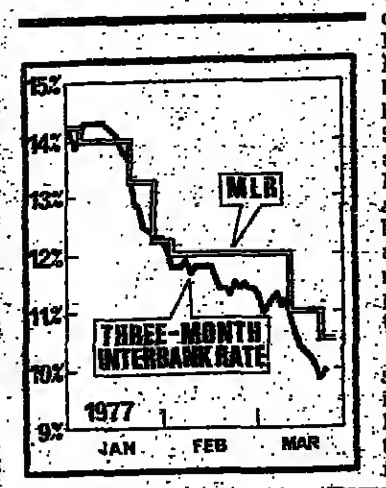
The scale of the problem is that Bond Worth's borrowings currently amount to £19m., of which about £16m. are short term: this compares with net assets of about £6m. The present market capitalisation is just £2.6m., and the current year is expected to produce losses of £1.4m. before tax and after some £3m. of finance charges.

It would have been impossible to raise a worthwhile amount of equity from this base by any conventional issue, yet these financial problems are not necessarily an accurate reflection of the underlying viability of the business. Bond Worth's sales have more than doubled in the past seven years, whereas its capital base has actually contracted. There have been one or two specific disasters—a company acquired one year for under £300,000 and sold the next at a net loss of £1.8m.—and rapid expansion overseas does not yet appear to have paid off. A significant figure in the last accounts was the charge for plant hire, which was more than double the depreciation provision. In the absence of adequate profits, the sales growth has largely been financed out of bank borrowings. Bond Worth has failed to meet profits forecasts on more than one occasion, and the combination of sharply higher interest costs with a consumer squeeze has turned its growth targets upside down.

The plan now is to inject £3m. of 12 per cent. convertible preference, of which £1¾m. will come from the ECI and £1¼m. from various institutions: shareholders will be able to take up £750,000 of the latter block if they want to. The effective conversion price is 25p against 20p in the market, but conversion is spread over a long period and a novel sweetener has been provided by Courtaulds, which owns nearly a quarter of the equity. Options on nearly half of its holding, exercised at 10p per share, will be attached to the preference on the basis of one option for every eight underlying Bond Worth Ordinary. In addition, £5m. of overdrafts are being rescheduled to a medium term loan basis and bank facilities are being increased by £500,000.

So this is not a lame duck investment from the ECI's point of view. After a long and sometimes traumatic period of finding its feet, the new institution appears to have got off to a promising start.

Index fell 14.1 to 414.4



The K adjustment

The inflation accounting objectives of the banks are spelt out in a document produced by Working Party K of the Morpeth Steering Group, but the working party is split between bankers and non-bankers and the report is described as no more than a "further contribution to the debate."

As has been expected, the banks are arguing that the increase in their free capital necessary to keep in line with inflation should be provided for out of operating profits before taxation. They suggest this is comparable with the cost of sales adjustment for industrial companies, although this would only be strictly true if the latter provision were extended (as some advocate) to include the monetary items of working capital. The actual formula put forward is to work out a free capital adjustment on the basis of a bank's average free capital during the year multiplied by the change in the retail price index over the period.

A quick calculat[ion shows] that in 1976 the [adjustment] would have ranged [from ... per] cent. of pre-tax [profits at] Barclays to 24 [per cent. at] National Westmin[ster] however, the impac[t would have] been much more s[evere] 50 per cent. for a[ll] and some 70 [per cent. at] Barclays. Full c[urrent cost] accounts would a[dd] higher depreciat[ion] although this wo[uld be] modest in its effect, [...] per cent. of com[bined pre-] tax profits.

The banks have [a] simple. This is [...] in the case of the [...] RPI as deflator, [...] the drawback that inflation may lag years the burst of [...] (and thus depo[sits]) which weakens [...] ratios. More serio[us pro-] posals blur the [...] between net mon[etary ...] and free capital [...] cludes loans and [...] discussion of the [...] against advances [...] need to be topped [up ...] of inflation.

Rolls-Royce

The 1976 profits [of Rolls-] Royce are right [in line] of market estima[tes ...] pre-tax, against [...] performance begs [...] questions. The [...] tions had a sluggis[h ...] industrial end [...] overall in this [...] slightly: at the sa[me time pro-] duction of cars only rise by between 3 [and] 4 per cent. com[...] average growth in around 6 per cent. [...] plain that virtually growth came from U.K. And in the [...] —with direct ow[...] accounting for [...] the total—it is cle[ar the] group has gained [...] from the drop in [...] sterling, and this fa[ctor ...] be working so [...] favour from now on.

Last year's mo[...] apparently held [...] put, while price[s ...] worked heavily ag[ainst it] in the U.K. [...] diluted p/e is 8 [...] 1p yesterday. R-R [...] spend about £13m [on fixed] assets in 1977, whi[ch is] three times last y[ear's ...] for depreciation [...]. But most outsider[s are] expecting further growth in the cur[rent ...]

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